

APPROACH TO SUSTAINABLE SOURCING OF BIOCOMPONENTS

As one of the world's largest distributors of biofuels, and as part of our commitment to contribute to sustainable development, Shell¹ is working to ensure that the biocomponents & bio feedstock² (from here on simply referred to as biocomponents) we purchase, both for blending into fuels and use in other areas of our business, are produced in a more sustainable way. In addition to closely understanding their emissions, we want to ensure other environmental impacts from their production are well managed (such as impacts on soil, air and water) and that social impacts are as beneficial for local communities as possible³.

The following describes the key components of our approach, which reflects the requirements of Shell's [General Business Principles](#). Shell will continuously review and update the specifics of our approach to the sustainable sourcing of biocomponents as appropriate.

Working with suppliers and partners:

Shell aims to ensure that it does not source biocomponents that may be associated with a violation of human rights⁴ (including child or forced labour), animal care and welfare principles, or clearing of areas with high carbon stock⁵ or of high biodiversity value⁶.

Shell aims to purchase biocomponents that have been certified against recognised credible multi-stakeholder voluntary sustainability standards.⁷

Shell will also incorporate sustainability clauses into supply contracts, providing a base level of assurance for all feedstock regardless of origin or voluntary sustainability standard certification. These will request that:

- Biocomponents are not knowingly linked to the violation of human rights (child or forced labour).
- Biocomponents have not knowingly been cultivated in areas of high biodiversity value.
- Biocomponents have not knowingly been cultivated on areas of peatland, regardless of depth.
- Biocomponent production has not involved the use of open burning techniques for land preparation, conversion or clearing⁸.

¹ A reference to "Shell" is a reference to the Shell Group unless otherwise specified.

² Biocomponents tend to be blended with non-fossil components to make finished fuels or products, whereas feedstocks are generally input material to a process – e.g. crude rapeseed oil is a feedstock for rapeseed Methyl Ester or manure for biomethane production.

³ The scope of this policy does not extend to our purchase of finished fuels which may contain biofuels that were blended by others, nor to joint venture operations where Shell is not the operational controller, nor to 'toll' processing of products on behalf of others.

⁴ Child Labour as defined by the ILO convention 138 (1973) on minimum age and ILO convention 182 (1999) on worst forms of Child Labour and forced labour as defined by ILO convention 105.

⁵ For the purposes of this policy, high carbon stock areas will be defined as areas which were primary forests and/or peatland in January 2008.

⁶ World Conservation Union IUCN areas (categories I-VI), Wetlands of International Importance under Ramsar Convention, Natura 2000 sites, Important Bird Areas, UNESCO Biosphere Reserves.

⁷ Shell is a member of Roundtable on Sustainable Biomaterials (RSB), the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS), BONSUCRO and the ISCC (International Sustainability and Carbon Certification).

⁸ Except in specific situations as identified in the [ASEAN Guidelines](#), comparable guidelines in other regions, or as required where manual sugarcane harvesting is necessary.

- Biocomponent production has not contravened relevant animal welfare laws or good animal care practices⁹.
- Suppliers become members of the relevant international body/voluntary certification scheme working on sustainability standards for their feedstock.

Shell will continuously work with the suppliers to create awareness of the sustainable sourcing practices and to work towards a more sustainable supply chain.

Shell will engage suppliers to review progress on a regular basis and, under our contract clauses, reserves the right to conduct independent audits and to terminate contracts in the event of failure to meet our expectations.

There may be countries or regions where the use of specific biocomponents is mandated despite the lack of certified product and these constraints may limit Shell's ability to procure sustainable biocomponents.

Despite these constraints, Shell will continue to work through multi-stakeholder initiatives, with suppliers and with industry to address these challenges.

Reporting:

Shell reports on its sourcing of biocomponents in the annual [Shell Sustainability Report](#).

Stakeholder Engagement:

Shell engages with industry, governments, intergovernmental agencies and policy makers to encourage the development and implementation of sustainability standards for the biofuels supply chain. In particular, Shell participates actively in multi-stakeholder initiatives that develop robust voluntary sustainability criteria such as the Roundtable on Sustainable Biomaterials (RSB), the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS), BONSUCRO and the ISCC. Shell regularly engages environmental and social experts to support in developing projects that help address potential direct and indirect impacts of biomass production and to share experience and expertise, including impacts for energy and other uses. Shell also works closely with partners and actively engages animal welfare experts and organisations to understand best practices and incorporate them into our operating standards.

High Risk Feedstock.

100% of the feedstock that Shell purchases that are considered to be high risk from a human rights, threat to biodiversity or release of carbon stock perspective¹⁰, are certified as sustainable by credible multi-stakeholder sustainability initiatives such as those mentioned above.

Further information about Shell's strategic commitment to biofuels in the transport sector and our activities in Brazil with our joint venture company Raízen where we manufacture sugarcane based ethanol is also available [here](#).

For further information, please contact Shell's Biofuels Sustainability Compliance Officer – Helen Scholey (helen.scholey@shell.com).

⁹ This only applies to manure. Voluntary standards include but are not limited to those of the Farmers Assuring Responsible Management (FARM) program for animal care, the Gold Standard Dairy program for the Dairy Farmers of America and other equivalents.

¹⁰ Current high-risk feedstocks include Palm Oil, Sugarcane and South American grown Soy.