

POLICY STATEMENT SUSTAINABLE SOURCING OF BIOFUEL COMPONENTS

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 biofuel components we purchase for blending are produced in a more sustainable way – safeguarding the environment and delivering benefits to society. The following describes the key components of our approach. Shell's requirements are consistent with our Biodiversity Standard, Human Rights guidelines and General Business Principles. Shell will continuously review and update as appropriate.

Stakeholder Engagement

- Shell will engage industry, governments, intergovernmental agencies and policy makers to encourage the development of sustainability standards for the biofuels supply chain. In particular, Shell will participate in multi-stakeholder initiatives that are developing voluntary sustainability criteria for the production of particular feedstocks such as: the Roundtable on Sustainable Biofuels, the Roundtable on Sustainable Palm Oil, the Round Table on Responsible Soy and the Better Sugarcane Initiative.
- Shell will engage environmental and social experts to develop projects that help address potential direct and indirect impacts of biofuel production and to share experience and expertise.
- Shell supports mechanisms that encourage competition among biofuels on the basis of greenhouse gas performance and sustainability. Shell will encourage governments to support the adoption of practical, measurable sustainability criteria and certification of the CO₂ performance of biofuel components using an internationally recognised approach for calculating 'well-to-wheel' greenhouse gas performance, based on sound science and developed in consultation with industry.

Engagement with Suppliers

- Shell will work with its suppliers to create awareness about sustainable sourcing and to work towards a more sustainable supply chain.
- Shell will work with its suppliers to incorporate sustainability clauses into supply contracts that seek to ensure that
 - bio-components and feedstocks are not knowingly linked to violation of human rights (child or forced labour) and have not knowingly been cultivated, produced or manufactured in areas of high biodiversity value²
 - suppliers join relevant international bodies developing sustainability criteria for the production of particular feedstocks and comply with the sustainability standards set by such bodies, where they exist
 - suppliers develop and implement supply chain traceability systems.

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

² See www.shell.com/biodiversity for Shell definition of 'Areas of high biodiversity value'



- Shell recognises that many existing suppliers may not meet our expectations in full immediately. If these suppliers wish to supply to Shell, they must commit to work with us to develop a more sustainable supply chain.
- Shell will engage suppliers to review progress on a regular basis and will reserve the right to conduct independent audits and to terminate contracts in the event of failure to meet our expectations.

A number of regulatory and economic constraints may limit Shell's ability to procure sustainable biofuel components. For instance,

- Countries where the use of specific bio-components (e.g. palm oil) is mandated.
- Situations where there are no, or limited supplies, of bio-components that can be verified to have been produced sustainably, but mandates or incentives for bio-component use are in place.
- Purchasing of fungible traded bulk supplies of bio-components/biofuel blends from the open market, where no information exists on the sustainability of original source.

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

Compliance and Reporting

- Together with independent third parties, Shell will develop a sustainability assurance programme to cover its bio-component sourcing activities
- Shell will seek to ensure that its certification and auditing processes demonstrate that:
 - Assessors are independent
 - Assessors have utilised a process that is transparent and independent
 - The process complies with internationally recognised social and environmental auditing principles
 - The auditing and certification process considers the views of communities and workers that are directly affected by the production of the bio-component.
- Shell will report on its performance on the issue of sustainable sourcing of bio-components in the annual Shell Sustainability Report.

For further information, please contact the Shell Biofuels Sustainability Compliance Officer, Michelle Morton.