
Responsible Sourcing Guidelines for Stepan Company's Palm-based Material Suppliers

OUR COMMITMENTS

At Stepan Company ("Stepan") we believe that chemistry can provide solutions to benefit the environment, promote human well-being, and meet the needs of a growing population. We take seriously our responsibility to operate in a manner that ensures the safety, security and well-being of our people and the communities where we operate. We also understand the importance of working to promote social and environmental responsibility throughout our supply chain.

For some Stepan products, we utilize palm kernel oil and its derivatives as a raw material. We recognize the impacts of expanded oil palm plantations on local communities and on the environment, and as members of the Roundtable on Sustainable Palm Oil (RSPO), we are committed to engaging across our supply chain to promote responsible, sustainable practices in the oil palm industry. In support of this commitment, Stepan has developed Responsible Sourcing Guidelines that will take effect immediately. We aim to work collaboratively with our supply chain partners to promote transparency, traceability, and best practices in the palm industry. We fully understand the complexities within the palm supply chain and recognize that meeting these guidelines will require ongoing efforts at improvement. We look forward to working with suppliers who share our commitment to achieving more sustainable and responsible supply chains.

RESPONSIBLE SOURCING GUIDELINES

Stepan Company requests that our palm oil, palm kernel oil, and PO/PKO derivative suppliers work toward:

- Operating in compliance with the principles outlined in Stepan's **Third Party Code of Conduct**;
- Protection and conservation of High Conservation Value (HCV) ¹ and High Carbon Stock (HCS) ² areas, as defined in the most current High Carbon Stock Approach (HCSA) ³ Toolkit;
- No new development, draining, or burning of peatlands, regardless of depth;
- Managing current and retired palm plantations in accordance with the RSPO's most current Principles and Criteria, the RSPO Manual of Best Management Practices for Existing Oil Palm Cultivation on Peat⁴, or comparable standards;
- Reducing the carbon footprint of their operations;
- Implementing a Free-Prior-Informed Consent (FPIC) process, supporting the rights of local and indigenous people to allow or deny operations planned on their lands;
- Implementing policies and practices that respect the rights of all workers as outlined in Stepan's **Third Party Code of Conduct**, including women, contract and temporary workers, and migrant workers;
- Providing a safe work environment and appropriate training and personal protective equipment to minimize or prevent worker exposure to harmful chemical, biological, and physical agents;
- Enabling a transparent, impartial, consultative process for grievance and conflict resolution; and
- Supporting efforts to establish traceability to mill and plantation according to time-bound commitments.

VERIFICATION OF SUPPLIER PERFORMANCE

Our goal is to work collaboratively with our suppliers to achieve responsible, sustainable supply chains. We will incorporate compliance with the above sourcing guidelines into a new supplier assessment program, which will be developed and implemented over the next two years.

¹ High Carbon Stock (HCS) forests as defined at <http://highcarbonstock.org> by the HCS Steering Group.

² High Conservation Value (HCV) as defined by the HCV network: <https://www.hcvnetwork.org/about-hcvf/the-six-high-conservation-values>.

³ HCSA Toolkit and the Unified HCS and HCV <http://highcarbonstock.org/agreement-on-unified-approach-to-implementing-no-deforestation-commitments/>

⁴ RSPO Manual on Best Management Practices (BMPs) for existing oil palm cultivation on peat. <http://www.rspo.org/key-documents/supplementary-materials>