



Bringing Science to Sustainability

2019 SUSTAINABILITY REPORT

MESSAGE FROM THE CEO



Stepan's Values-Driven Approach

For over eight decades, Stepan Company (Stepan or the Company) has delivered innovative chemical ingredients that make a positive difference in people's lives while maintaining a resolute focus on operating responsibly and with integrity. As Stepan has grown from a small office in the Chicago area to a global company with manufacturing facilities in 11 countries, these values have continued to guide our actions.

Shifting social and environmental concerns present ever greater challenges and opportunities. The chemical industry is uniquely positioned to deliver products and services that can balance the needs of a growing human population with goals to preserve environmental health and ecological function. At Stepan, we're excited for the numerous opportunities we see to use our strengths to contribute toward addressing these needs.

As a charter member of American Chemistry Council (ACC) **Responsible Care**[®] and a signatory to the **United Nations Global Compact**, Stepan remains committed to delivering sustainable business value according to the principles outlined by those organizations. Through the markets that we serve, Stepan products promote improved health and hygiene, agricultural productivity, energy conservation, efficient resource use, and more. We have identified key **Sustainable Development Goals** (SDGs) for which our products and our practices deliver benefits, and we aim to increase our positive impact in these areas.

In 2019, we updated our **Code of Conduct** to better demonstrate our continued commitment to our employees and the communities where we operate. We also implemented a formalized third-party engagement process to ensure that our partners show the same commitment. Utilizing an internal materiality exercise, we identified key issues of importance with regard to our sustainable business performance. This work helped define our 2020-2025 goals within our Sustainability Priorities: Investing in People, Driving Efficiency for the Planet, Delivering Advantageous Products, and a Commitment to Responsible Practices.

We are determined to use Stepan's science and engineering capabilities to drive progress on our sustainability goals, and we welcome the opportunity to share our approach for Bringing Science to Sustainability.

Sincerely,
F. Quinn Stepan, Jr.

A handwritten signature in black ink, reading "F. Quinn Stepan, Jr." The signature is written in a cursive, professional style.

Chairman, President and Chief Executive Officer

ABOUT THIS REPORT

In the following Sustainability Report, released in March 2020, we highlight our efforts over the previous year and share performance data for 2018 and 2019, unless otherwise noted. The report references the GRI Standards 2016 and 2018 for the following standards:

- GRI 102: General Disclosures 2016
- GRI 103: Management Approach 2016
- GRI 205: Anti-Corruption 2016
- GRI 302: Energy 2016
- GRI 303: Water and Effluents 2018
- GRI 305: Emissions 2016
- GRI 306: Effluents and Waste 2016
- GRI 307: Environmental Compliance 2016
- GRI 308: Supplier Environmental Assessment 2016
- GRI 403: Occupational Health and Safety, 2018
- GRI 404: Training and Education 2016
- GRI 413: Local Communities 2016
- GRI 414: Supplier Social Assessment 2016
- GRI 416: Customer Health and Safety 2016

The contents of this report are framed by Stepan's Sustainability Priorities and informed by a materiality exercise conducted in the second half of 2019. We look forward to reporting on a biennial basis going forward.

We invite you to learn about our commitments to promote ethical business practices, and social and environmental responsibility. For additional information about Stepan Company, please visit www.stepan.com.

If you have further questions or comments, please contact us at sustainability@stepan.com.





ABOUT STEPAN

Headquartered in Northfield, Illinois, Stepan is a global manufacturer of specialty and intermediate chemicals, and we deliver products and technologies to drive performance across a wide range of **markets**. Through our **core business segments**—Surfactants, Polymers, and Specialty Products—we proudly meet diverse needs of people around the world.

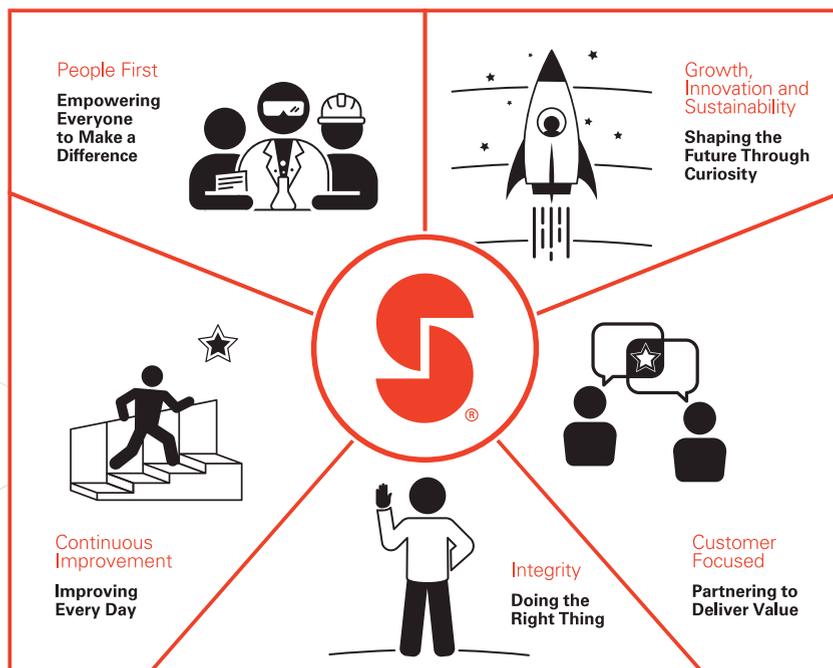
Stepan's Surfactant segment supports manufacturers of personal care and cleaning products with ingredients that deliver foaming, cleaning, and other performance qualities. Stepan surfactants also include lubricating ingredients to improve functionality and longevity of industrial equipment and agricultural co-formulants that promote on-target application of crop protection products through spray drift reduction and effective seed treatments. In addition, our surfactant technologies bring value to the construction industry, including ingredients that support stronger and lighter-weight gypsum wall boards. We offer an expanding selection of bio-based products, and Stepan's **Biorenewable Carbon Index** highlights those having at least 50% of their carbon content derived from plant, animal, or marine sources.

Stepan's Polymer business delivers products with broad functionality for use in coatings, adhesives, sealants, and elastomers (CASE) applications, and rigid foam insulation. Around the world, there are opportunities to promote energy savings through improved insulation, and Stepan technologies are a key component to effective insulating capabilities.

Our Specialty Product business unit is a leading producer of patented, science-based nutritional oils used in the food, supplements, and pharmaceutical industries. Our Lipid Nutrition products are bio-based ingredients that provide specific benefits in support of clinical and infant nutrition, weight management, and sports nutrition.

Stepan has 2,284 employees working throughout the world. We operate 18 manufacturing locations in 11 different countries, in addition to regional research and development labs and sales offices. We maintain a global distribution network aimed at serving our targeted markets, and we are dedicated to partnering with customers of all sizes to meet their specific product needs.

In 2019, Stepan updated our Company Values and Code of Conduct. Looking ahead, we remain committed to our mission of delivering Innovative Chemical Solutions for a Cleaner, Healthier, More Energy Efficient World, and we are committed to achieving our goals through a sharp focus on our values:



Governance

Throughout the Company's history, Stepan has focused on maintaining the highest standards of business conduct and ethical behavior. Our Code of Conduct defines expected practices and behaviors for the **Board of Directors, management team**, employees, and agents worldwide. Stepan has a seven-person Board of Directors, of which six are independent directors. The Board maintains **committees**—Audit, Compensation and Development, Compliance, and Nominating and Corporate Governance—to actively guide and oversee the implementation of these high standards. Our management team is charged with ongoing responsibility for these standards across the organization and for leading by example.



Sustainability at Stepan

OUR APPROACH

Operating in a manner that promotes long-term success underpins our sustainability commitments. For Stepan, this means using our science and technology to anticipate the needs of society and deliver products that make a difference. It includes a continuous effort to improve the safety and security of our employees and our operations. It also entails a focused effort on reducing the environmental impact of our operations and an obligation to operate ethically and in a manner that respects globally recognized human and labor rights.

Stepan's Sustainability Steering Team (Steering Team) is comprised of management-level representatives across company functions and regions of our operations. The Steering Team meets monthly and reports on a quarterly basis to Stepan's Operating Committee of executive officers. Regular updates are also provided to the Board of Directors. Embedding sustainability thinking across the entire company is a key focus for the Steering Team.

(From left to right)

Back row/standing:

Kendall Wilson, Steve Miller,
Greg Wilson, Jim Hoesly,
Charlotte Bryant, Jason
Keiper, Peter Etienne

Seated:

Shawn Thomas,
Faye Rice,
Chris Hammond

Not pictured:

Carlos Gomes,
Frederic Ruel,
Florent Schuschitz,
Christophe Sene



Stakeholder Engagement and Materiality

Stakeholder engagement is essential for fueling our success and upholding our values. Stepan actively seeks the voices of our employees, customers, suppliers, investors, and local communities, and we engage respectfully and thoughtfully on the issues of importance to our global business, to inform our actions.

Stepan has a longstanding commitment to high standards for corporate social, environmental, and governance performance. In 2019, we undertook a materiality assessment process to define 2020-2025 targets and initiatives and to frame our performance reporting. Utilizing the material issues identified for our industry by the [Sustainability Accounting Standards Board \(SASB\)](#), as well as ACC Responsible Care®, Stepan's Operating Committee and Steering Team identified the issues most important for the Company and of greatest concern to our external stakeholders.

Sustainability Priorities

As we move forward with our goal to embed sustainability thinking across the Company and more formally communicate our progress, we aim to build upon actions previously taken to reduce our impact; conduct our business ethically and responsibly; deliver advantageous products; and invest in people and communities. Each of these priority areas represent long-standing commitments of Stepan, and they continue to guide us in our sustainability journey.

OUR SUSTAINABILITY PRIORITIES



RESPONSIBLE PRACTICES

Demonstrating sustainable economic value, accountability, responsible management, and ethical practices

Material Issues

- Employee Safety and Health
- Ethics and Compliance
- Product Stewardship and Compliance
- Third Party Partnerships



EFFICIENCY FOR THE PLANET

Managing our facilities and resources responsibly to reduce our environmental impact

Material Issues

- Operations Management
- Emissions
- Energy
- Water Use
- Waste Reduction



ADVANTAGEOUS PRODUCTS

Delivering innovative products from responsibly sourced materials to promote a cleaner, healthier, more energy efficiency world

Material Issues

Material Sourcing
Product Development
Product Benefits During Use



INVESTING IN PEOPLE

Investing in employee safety, development and well-being, contributing to local economies, and serving our communities

Material Issues

Safety
Employee Training and Development
Employee Well-Being
Community Connections

Driving Responsible Performance*

1.2 billion

barrels of oil equivalents estimated as saved over the anticipated 20-year product life cycle through rigid insulation application using Stepan's polyester polyols in the last decade

100%

of Stepan sites assessed for risks related to corruption

92%

of Stepan manufacturing sites RSPO certified for responsible sourcing

88%

of U.S. volume produced at an OSHA VPP Star recognized plant

10%

reduction in water usage per unit of production from 2016 to 2018 at Maywood facility

40

Over 40 surfactants on CleanGredients®

56%

of our sites reached one year without a recordable injury

100

Over 100 Stepan products comprised of at least 50% biorenewable carbons

*Metrics for 2019 unless otherwise indicated

Goals for a More Sustainable Future

GOAL 2021

ETHICS AND COMPLIANCE

100%

Employee participation in Safety and Ethics trainings

GOAL 2023

SUSTAINABLY ADVANTAGED PRODUCTS

80%

of our R&D investment toward sustainable processes and products

GOAL 2025

EMPLOYEE SAFETY

<.25

TRIR across all Stepan facilities

GOAL 2023

WATER CONSERVATION

100%

Conduct risk assessments/establish water management plans at all sites

GOAL 2025

WATER CONSERVATION

Reduce global water usage by

40%

GOAL 2025

EMISSIONS REDUCTION

10%

GHG emissions reduction/MT

GOAL 2025

RENEWABLE ENERGY

20%

global electricity from renewables

Voluntary Accountability Frameworks

Stepan supports numerous global and industry frameworks aimed at integrating responsible and ethical practices into business. Through adherence to these and other standards, we work to demonstrate best practices in our industry, identify opportunities for improvement, and deliver benefits to society and the environment. We engage through our membership commitments or certifications with ACC Responsible Care®; American Cleaning Institute (ACI); ISO standards for quality, environmental, and energy management; the European Federation for Cosmetic Ingredients (EFfCI); and the United Nations Global Compact. Stepan reports annually to CDP (formerly Carbon Disclosure Project), SEDEX (Supplier Ethical Data Exchange), and EcoVadis, an assessment framework that evaluates performance related to corporate social responsibility. We also undergo external audits according to SMETA (the SEDEX member audit program) and TFS (Together for Sustainability) criteria as third-party verification of our corporate responsibility management and practices.

Alignment to SDGs

Stepan is a signatory to the United Nations Global Compact and through our products and our practices, we aim to support specific targets of Sustainable Development Goals (SDGs) for which we can have a significant positive impact. For the nine SDGs listed below, Stepan works to bring increased benefit and value to people and the environment.



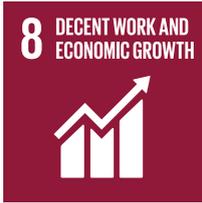
Focusing on agricultural products that promote more efficient resource use by reducing spray drift and seed coating technology that promotes seed protection and improved agricultural productivity.



Finding opportunities to promote improved hygiene and wellness with household and institutional cleaning products. Supporting nutritional needs for infants and older persons through Stepan's Specialty Products. Investing in employee health and wellness programs.



Expanding options for sanitation and microbial control in household, institutional, and industrial settings. Promoting efficient water management in our manufacturing practices.



Working to uphold human and labor rights for our employees and in our supply chain. Providing economic growth opportunities in science and technology fields for our areas of operation.



Supporting improved efficiency and reduced impact of industrial activity through use of Stepan products. Promoting equipment longevity through Stepan corrosion inhibitors. Expanding Stepan's economic impact with growth in manufacturing and research and development.



Working to improve energy efficiency in heating and cooling of buildings. Supporting reduced emissions during product shipment with lightweighting and high active formulations.



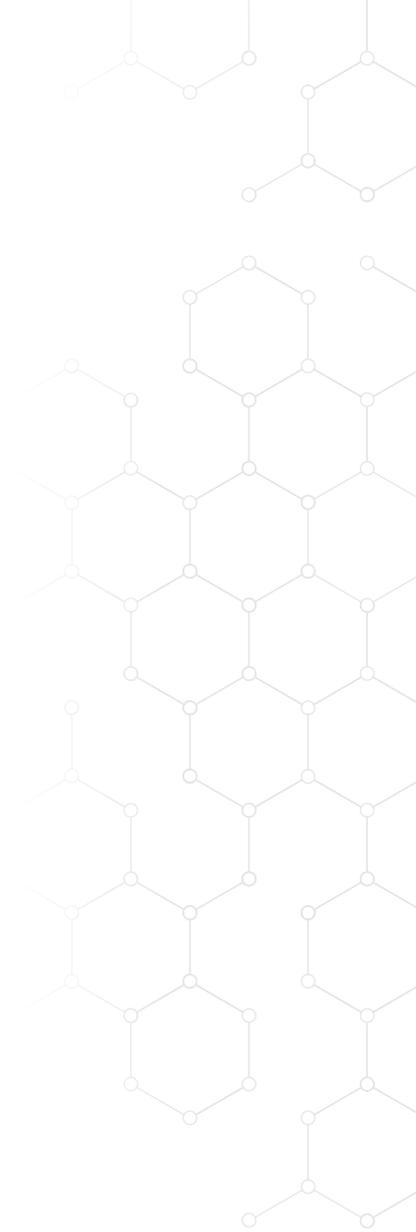
Improving energy efficiency, increasing use of renewable energy and renewable raw materials, and reducing water consumption in our operations. Managing chemicals and promoting product stewardship in accordance with international frameworks.



Supporting energy efficiency in our operations, in product transportation, and with product use. Increasing the use of renewable energy for our operations.



Promoting behaviors and practices aimed at preventing and eliminating corruption and bribery. Implementing policies and practices aimed at respecting and protecting fundamental human and worker rights.





**Responsible
Practices**



SDG 8

SDG 9

SDG 12

SDG 16

OUR COMMITMENT

Our business relationships are built on trust. We work to earn the trust of our customers and the communities where we operate through a constant focus on integrity and responsible practices, and this has been a key enabler of Stepan's growth. Across our operations and at every level of work, we hold ourselves accountable to our coworkers, communities of operation, business partners, and applicable laws and regulations.

OUR APPROACH

Employee Safety and Health

At Stepan, our goal is to keep everyone safe and demonstrate continuous improvement. A safe and healthy workplace is fundamental to our organization and has always been a business imperative. All Stepan facilities are ISO 9001:2015 certified, and we conform to the ACC Responsible Care Management System (RCMS)[®] at our U.S. sites. Our facilities outside the U.S. are encouraged to participate in their country-specific Responsible Care[®] program equivalents. Stepan promotes a focus on safety through behavior-based safety programs and also through recognition of excellent practices with the annual President's Safety Award.

Ethics and Compliance

At Stepan we remain dedicated to the highest ethical standards and compliance with the law. We work in partnership with our customers and suppliers to uphold our commitments to performance with integrity, and understand that this is essential to our growth and success.

We renewed our commitment to ethics and compliance in 2019 with the launch of an updated Code of Conduct ("Code") which serves as a more robust statement of our commitments. Our Code highlights expectations for workplace behaviors and practices aimed at upholding the rights of all our workers and creating an atmosphere of trust and respect. We continue to improve our understanding of specific compliance topics through live and computer-based training conducted across our global operations on topics including anti-bribery and corruption, third party risk management, conflicts of interest, and information security. These programs are designed to provide added depth of knowledge to employees in roles most likely to need that understanding.

It is critical that our stakeholders feel secure in sharing concerns if they suspect a Code violation or have a question about a situation in which they are involved. Stepan employees receive training about their responsibilities to speak up and are encouraged to communicate concerns either directly with a department supervisor or anonymously through the Stepan ethics hotline reporting system, [EthicsPoint](#). This global system, which can be accessed by web or by phone, allows anonymous reporting as an option wherever that is permitted by law.



Our goal is to work in partnership with our customers to enable the use of chemistry in a safe, responsible, and sustainable way.

Product Stewardship and Compliance

Customer and consumer safety are of paramount importance to our continued business. A key responsibility is to assess possible risks to people and the environment according to numerous regulatory frameworks. Stepan works to promote safety and transparency through information made available according to frameworks such as the Globally Harmonized System for Chemical Classification and Labeling, the European Chemical Agency Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulation, and REACH-like regulations from other countries. We are committed to registering products and substances for use by our customers in REACH territories, where possible, and will support registrations of substances by customers where appropriate. Our goal is to work in partnership with our customers to enable the use of chemistry in a safe, responsible, and sustainable way.

Stepan is a member of numerous trade associations that represent the interests of our industry regionally and globally. We actively monitor legislation in all regions to develop an understanding of the unique safety and regulatory requirements of each. We seek to engage with our business partners to identify new opportunities for the use of our products around the globe.

Along with Stepan's firm commitment to legal and regulatory compliance, we look for opportunities to bring further value to our stakeholders. For many years, Stepan teams have collaborated with the U.S. Environmental Protection Agency (EPA) to develop tools and resources that promote safer chemistry and product development, and we have numerous ingredients listed on the [CleanGredients®](#) database. We also participate in voluntary compliance frameworks directed at verifying responsible practices related to our raw materials and our manufacturing processes. Our work to comply with external frameworks supports our goal of continuous improvement and benefits our customers, our employees, and our communities.

Third Party Partnerships

Stepan operates an extensive global supply chain to effectively meet the expanding needs of our customers. As we continue to grow, we understand our responsibility to effectively evaluate the risks of doing business with third party partners and to hold our partners accountable to our standards. Stepan is committed to partnering with third parties that conduct business in compliance with applicable laws, rules, and regulations and in a manner consistent with Stepan's **Third Party Code of Conduct**. In 2019 we launched an enhanced third-party risk screening process and management policy used to help identify potentially at-risk behavior and relationships prior to supplier engagement.

For Stepan's palm material suppliers we have outlined specific criteria in our **Responsible Sourcing Policy** with which we expect our suppliers to comply. For some of our products, Stepan utilizes palm kernel oil derivatives and other bio-based oils as raw materials that deliver excellent performance. We work to source these materials responsibly through the **Roundtable for Sustainable Palm Oil** (RSPO) supply chain certification framework. In addition, Stepan partners with customers, non-governmental organizations, and suppliers to increase the traceability of our palm supply chains as part of the industry-wide effort to drive improvement and promote best practices. We look forward to working with suppliers who share our commitment to achieving more sustainable and responsible supply chains.

HIGHLIGHTS

- Ethics and Compliance related training completed by 95% of employees
- 100% of sites assessed for risks related to corruption and 100% of sites in high-risk geographies received additional anti-bribery and corruption training and audits
- 92% of our facilities that handle palm kernel oil are certified according to Roundtable for Sustainable Palm Oil criteria

Awards and Recognitions

- UK Chemical Industry Award for Responsible Care Process Safety Leadership 2018 (1st place) and 2019 (2nd place) for Stepan Stalybridge, United Kingdom, facility
- 2018 CN Safe Handling Award for Stepan Millsdale, IL, facility
- Bureau of Fire Protection Recognition for Fire Safety and Earthquake Readiness presented to Stepan Philippines Quaternaries, Inc. facility



100%

**Employee participation
in Safety and
Ethics trainings**



Efficiency for the Planet

A decorative graphic on the left side of the page features a light gray hexagonal grid pattern. Three colored rectangular boxes are overlaid on this grid: a blue box at the top containing 'SDG 6', an orange box in the middle containing 'SDG 12', and a green box at the bottom containing 'SDG 13'.

SDG 6

SDG 12

SDG 13

OUR COMMITMENT

Stepan recognizes our responsibility to reduce our environmental impact while conducting business. Across our global manufacturing network, we look for opportunities to reduce water usage, minimize waste, lower emissions, and conserve energy. Our goal is to continue delivering products that support social and environmental needs while driving responsible, safe, and efficient processes in all of our facilities.

OUR APPROACH

Operations Management

As part of our ongoing commitment to environmental responsibility, Stepan monitors emissions, water use, waste, and energy use across our facilities, and incidents and accidents are tracked at all sites and reported up to senior leadership and the Board of Directors. Our participation in the ACC Responsible Care® initiative includes commitments related to the management of resources, waste minimization and safe disposal, and improving operational efficiency, among other objectives. Over the past few years, our focus has been on strengthening our data collection process to support tracking changes and monitoring progress.

Our participation in the ACC Responsible Care® initiative includes commitments related to the management of resources, waste minimization and safe disposal, and improving operational efficiency, among other objectives.

In 2019, Stepan initiated a process to update and broaden our Environmental, Health, Safety, and Security (EHSS) Management System with the objective of providing a structured approach to improve management of compliance obligations, risks, and opportunities. The revised management system will incorporate criteria from the ACC Responsible Care Management System® and the ISO 9001:2015 standard, as well as some criteria from the ISO 14001 and ISO 50001 standards. Roll-out will begin in 2020 and will continue across our global facilities over the course of the next few years, with the intended outcome of achieving consistent regulatory compliance and risk management, driving safe and efficient operations management, and supporting information and data management.



GOAL 2025

EMISSIONS
REDUCTION



10%

**GHG emissions
reduction/MT**

Emissions

Through our ACC Responsible Care® membership, Stepan annually reports on our emissions of pollutants in the U.S. that affect air quality and commits to continuous improvement in management. Stepan has also reported Scope 1 and 2 greenhouse gas emissions to CDP for many years and is working to drive greenhouse gas emissions reduction and energy efficiency. With process optimization and other projects, our goal is to reduce our Scope 1 and 2 greenhouse gas emissions per metric ton produced by 10% by 2025 over our 2016 baseline. We've already seen progress from initiatives such as those at our facility in Stalybridge, United Kingdom. Investments at that site eliminated the need for material movement between plants, resulting in reduced transport-related emissions.

We aim to continue delivering products that support social and environmental needs while driving responsible, safe, and efficient processes in all of our facilities.

GOAL 2025

RENEWABLE
ENERGY



20%

**global electricity
from renewables**

Energy

Stepan employees continually look for opportunities to drive energy efficiency within our operations and through transportation of materials. In our manufacturing sites and offices around the world, actions such as switching to high efficiency lightbulbs, addition of motion sensing fixtures, improved insulation, and other similar updates have been implemented. Several of our manufacturing sites have installed Variable Speed Drives allowing more controlled operation of equipment based on production need and reducing energy consumption. Improved metering and submetering at our Wesseling, Germany, facility allows for more effective identification of opportunities to drive efficiency, and process optimization at several sites provides combined benefits of reduced energy use, lower water consumption, and reduced waste generation. In addition to numerous site-specific initiatives, our goal is to secure 20% of Stepan's global electricity from renewable sources by 2025.

Working to Improve Air Quality in Nanjing, China

Stepan's facility in Nanjing, China, is working to implement a technological solution that will reduce emissions of nitrogen oxide (NO_x), a common gas released during industrial processes, as well as by vehicles. Upgrades at Stepan's Nanjing plant will support compliance with new Chinese government regulations aimed at improving air quality in urban

areas, with the broader goal of reaching recommended air quality targets set by the World Health Organization. In addition to addressing requirements for NO_x emissions, the project, when completed, will support reduction of volatile organic compounds and other airborne emissions, as well as reducing wastewater emissions.



Conserving Water and Eliminating Sulfates in Waste Water

New regulations in Colombia have set a lower maximum level for sulfates in wastewater. With the regulation coming into force in 2020, Stepan's Manizales, Colombia, plant is in the testing phase of a new project aimed at removing sulfates from its wastewater. Through its implementation, the project aims to significantly reduce a sulfate containing waste stream through recycling and reprocessing, while also contributing to reductions in water use.



Water Use

Stepan depends upon local sources of water for our manufacturing processes, and we understand the importance of managing this resource for long-term use and in a manner that respects the rights and needs of our surrounding communities. All Stepan sites engage their local communities, including first responders, to identify areas of concern as they relate to Stepan business in the area. Over the last several years, Stepan has been identifying opportunities to improve water use efficiency, and we have implemented projects aimed at reducing our water consumption at key facilities. For example, at Stepan's Maywood, New Jersey, manufacturing site, water usage per unit of production decreased by over 10% from 2016 to 2018 with conversion of a reactor from water cooling to cold-oil cooling. Additional projects at that site are expected to deliver even greater water use efficiency going forward. Our intention is to conduct water risk analyses across our global facilities and to set relevant site- or region-specific water management goals based on those results. In addition, we aim to reduce our global water usage by 40% by 2025, over a 2016 baseline, with significant contributions toward that goal expected from our Maywood facility.



Waste Reduction

Across Stepan facilities, we continue to identify opportunities to reduce waste, which supports our ongoing efforts to drive efficiency and promotes responsible use of resources. Several sites have integrated condensate recovery and reuse systems. Stepan European sites are working to remove additives that are currently approved, but that contribute to our waste streams. Other sites have implemented initiatives to reduce waste with process optimization or with material recycling. We expect to continue to identify additional opportunities to reduce waste across our facilities.

HIGHLIGHTS

- ISO 14001 and/or ISO 50001 certification achieved at Stepan's Wesseling, Germany; Nanjing, China; and Jurong Island, Singapore, facilities
- New targets to reduce greenhouse gas emissions and water usage, and increase use of renewable energy
- Update to Stepan's Environmental Health, Safety, and Security Management System

GOAL 2023

WATER
CONSERVATION



100%

Conduct risk
assessments/
establish water
management
plans at all sites

GOAL 2025

WATER
CONSERVATION

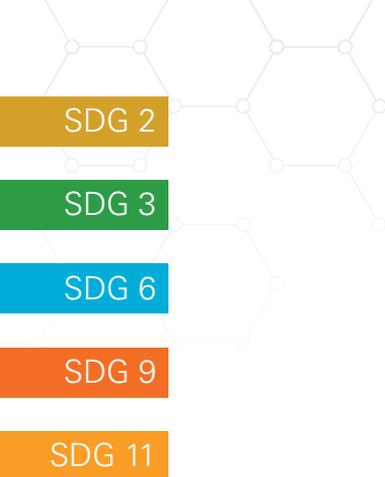


Reduce global
water usage by

40%



Advantageous Products



SDG 2

SDG 3

SDG 6

SDG 9

SDG 11

OUR COMMITMENT

Chemistry is our business, and through the work of our science and engineering teams, Stepan delivers chemical technologies that bring value to a wide variety of global markets. We also work to develop best-in-class technical service capabilities to maximize our potential to meet customer needs. We aim to be the preferred partner of our customers by offering products that provide excellent performance and that enable progress toward broad social and environmental goals.

OUR APPROACH

Benefitting People and the Environment

Delivering high performing products that offer social and environmental benefits depends on the dedication and creativity of Stepan's employees. From the pre-development phase through delivery of our finished goods, Stepan's R&D teams explore new approaches to drive improvement and find solutions. Working closely with customers across the markets we serve, Stepan chemists and engineers are ready for the challenge of finding new ways to Bring Science to Sustainability.

Stepan brings added value to the market through our partnerships with customers and industry groups. Stepan has collaborated for many years with the U.S. EPA in development of screening tools, formulations, and products in support of the **Safer Choice** program. In recognition of our demonstrated leadership, Stepan has been honored to receive two U.S. EPA Safer Choice Partner of the Year Awards, and since 2006, Stepan has listed more than **40 surfactants on CleanGredients®** for formulators seeking Safer Choice certification. In 2019, we introduced our latest CleanGredients® listed, direct release products, **BIO-SOFT® DR-13** and **BIO-SOFT® DR-139**.

With Stepan's **Biorenewable Carbon Index (BCI)**, our CleanGredients® listed products, and numerous products certified for responsible sourcing, we work to meet the growing market interest in products that are bio-based and environmentally responsible. **STEPANQUAT® Helia**, a very mild skin care and hair-conditioning agent derived from sunflower oil, was launched in 2019 and delivers excellent performance and an improved environmental profile.

We look for opportunities to use resources more efficiently and to conserve energy. **STEPAN-MILD® L3**, derived from corn oil, is a 100% active product with a biorenewable carbon index of 100% that can replace or reduce low active secondary surfactants in personal care formulations. By reducing the amount of water shipped in product, **STEPAN-MILD® L3** also allows for reduced energy consumption in shipping, per unit application.

Our Poland facility has used recycled polyethylene terephthalate (rPET) plastic as a raw material to make polyols for 10 years. Currently, most of these products are sold into One Component Foams, which act as insulating sealants in construction products. Stepan is evaluating options to expand product offerings based on recycled plastic by working with customers to incorporate existing rPET polyols into their formulations and increase the recycled content in insulation foams. This is in response to legislative and consumer actions that have driven increased urgency for solutions to address plastic waste and build upon circular economy business principles. Additionally, we are exploring applications for rPET into North American applications.

HIGHLIGHTS

- 2019 Launch of STEPANQUAT® Helia, a bio-based and high active surfactant derived from regionally sourced sunflower oil
- 2019 Introduction of five products listed on CleanGredients® and meeting the surfactant screen for U.S. EPA Safer Choice Standard, including BIO-SOFT® DR-13 and BIO-SOFT® DR-139, which are approved for use in Direct Release applications
- 2019 Testing of Stepan's new **TDRV** (temperature dependent R-value) technology, going into rigid foam polyiso polyol insulation and providing enhanced energy conservation opportunities

GOAL 2023

**SUSTAINABLY
ADVANTAGED
PRODUCTS**



80%

**of our R&D
investment toward
sustainable
processes and
products**



Promoting Sustainable Agriculture

Stepan has a long and proud history in agricultural product development and innovation. The Stepan Agricultural Innovation Center in Winder, Georgia, will be a testament to our commitment to safe and sustainable agriculture, our customers' growth, and to farmers worldwide who face ever increasing challenges that demand new innovations. This new LEED Silver certified Center will provide our scientists

a world-class setting to test and develop new technologies in the laboratory and greenhouse, and work side-by-side with customers to accelerate the innovation cycle and bring new products to the field. The Center will also feature digital and video technology that will allow us to provide training and engagement with our customers, collaborators, and team members globally.





Investing in People

SDG 3

SDG 8

SDG 9

OUR COMMITMENT

People are what make our work possible and meaningful. We depend on our highly skilled workforce to reach our business goals, and through a robust commitment to promote safety and well-being, enable professional development, and provide excellent benefits, Stepan aims to attract and retain top talent. We also embrace our responsibility to be a strong corporate partner. Through numerous programs, Stepan and our employees engage with the communities where we conduct our business in support of safety, science education, and local needs.

OUR APPROACH

We value the fact that we have a diverse, inclusive, and engaged community of workers, and our goal is to create workplace environments built on respect, safety, strong teamwork, and high competency. Employee feedback is regularly solicited on workplace practices and culture. For over 20 years, Stepan has conducted an employee satisfaction survey and also administers the National Safety Council Occupational Safety Climate Assessment Report every four years, allowing employees to share opinions regarding company safety culture, leadership, and process safety management. Results from each of these surveys are used at the corporate and site level to define needs and develop improvement plans.

GOAL 2025

EMPLOYEE
SAFETY



<.25

TRIR across all
Stepan facilities

Employee Safety

Safety for all Stepan employees, our business partners, and the communities in which we operate, is a top priority for the Company. As part of our long-standing focus on safety and responsible chemicals management, as well as our commitments to ACC Responsible Care[®], Stepan invests in behavior-based and task-based safety programs for our global workforce with the expectation that this will help establish habits and behaviors that promote safety awareness, thinking, and responsiveness. Special recognition is given annually to our facilities that have achieved excellent safety records. The President's Safety Award is given to sites that meet specific criteria for recordable incidents and injuries, as well as other safety and compliance requirements, over the course of the year. In 2019, 48% of our sites received the President's Safety Award and 56% of our sites reached one year without a recordable injury. Our goal is to promote continuous improvement in the area of employee safety, with a target of 0.25 for our Total Recordable Incident Rate (TRIR) by 2025.

We value the fact that we have a diverse, inclusive, and engaged community of workers, and our goal is to create workplace environments built on respect, safety, strong teamwork, and high competency.

“After all my years at Stepan, I still see the focus from Stepan’s Management Team on keeping employees safe. Having that level of commitment makes me feel like an important part of the Company.”

JAMES CALCATERRA, MASTER MECHANIC
50 YEARS OF SERVICE TO STEPAN

Employee Training and Development

Across our operations, employees are encouraged and supported in developing the technical and leadership skills they need to excel at their work and to advance in their roles with the Company. Stepan provides an array of opportunities, including our Emerging Leaders Program, Leadership Development Program, technical training and certifications, language training, and educational assistance. Stepan utilizes both digital and in-person platforms for training to promote awareness of employee aspirations and to support definition of individualized development plans. Developing our talent pipeline and retaining our skilled labor force is a key focus, and our objective is to support employees’ progress toward their professional goals through opportunities within the Company.



Twenty-two individuals recently graduated from the Stepan Leadership Development Program, a 14-month program aimed at cultivating leadership skills through project-based learning and coaching.



In addition to skills-based training, all employees receive training on the expected behaviors defined in the Stepan Code of Conduct. In 2019, over 95% of employees participated in learning and development opportunities. Performance with integrity and responsible practices are of fundamental importance to the Company, and throughout the year and across all regions of operation, Stepan employees are coached on conducting business ethically, responsibly, and in compliance with the law.

Employee Benefits and Well-Being

Stepan employees receive comprehensive and competitive benefits packages aimed at attracting top talent and supporting needs for work-life balance. Employees are rewarded for their positive contributions to company success with Pay-for-Performance incentives. In the workplace, wellness programs are promoted, and many employees share their interest in healthy living choices such as carpooling, biking to work, or work-based athletic teams.

Stepan cultivates an environment for employees to take ownership of and directly benefit from the Company's long-term, sustainable success, and over 1,100 non-Stepan family employees maintain stock ownership in the Company. More than 60% of employees around the world are eligible for an annual profit-sharing contribution that serves as an incentive aligning employee financial rewards with profitable growth. In addition, in the U.S. there is an Employee Stock Purchase Plan that gives employees the option of purchasing Stepan stock via convenient regular payroll deduction.

Promoting STEM Education

Stepan employees believe in the value chemistry brings to people and they work to inspire and support the next generation of scientists. From mentoring programs and internships to lab and classroom visits, our employees look for opportunities to share their love of science with students in a variety of programs around the world. Since 2014, Stepan employees at the Company headquarters have partnered with Teach for America to share information about science education and careers to students at a local high school. Each year a Stepan team visits the high school and facilitates hands-on demonstrations to about 200 students. Volunteers also spend time answering student questions about college, daily job functions, and what a career in science means to them.

In addition to the school visit, Stepan hosts a smaller group of students with interests in pursuing science in college. After visiting R&D labs to see chemistry in action, students participate in one-on-one discussions with Stepan researchers to discuss their individual goals for college and beyond. The goal is to help students understand their options as they consider paths forward from high school to college to a career. Stepan employees look forward to the chance to give back to communities and support young people as they begin planning for their future.



Community Connections

As with all areas of our business, safety is a top priority for the people and communities that make our work possible. Stepan teams work with local communities and first responders to understand concerns and to promote emergency readiness. Stepan also depends on Spill Mitigation and Response Training (SMART), First Responder training, and our Crisis Management Program (CMP) to maintain a high level of preparedness and organization to enable the Company to respond expeditiously to crises of any nature.

Stepan and our employees are firmly committed to giving back to our communities. Across our regions of operation, employees contribute their time and expertise to bring value and address local needs. This includes work to restore local ecosystems, promoting services for people with disabilities, providing support to the homeless or to economically disadvantaged families, and mentoring high school students as they explore potential careers. As a community of scientists and engineers, Stepan takes pride in working with young people to promote science, technology, engineering, and mathematics (STEM) learning and showcase the value this work can bring to society.

In 2019, Stepan sponsored an employee-based community outreach grant program and made contributions to eight organizations in six countries. These organizations were identified by our employees as being especially impactful to their communities and Stepan is very pleased to be a partner in furthering their work.

As a community of scientists and engineers, Stepan takes pride in working with young people to promote science, technology, engineering, and mathematics (STEM) learning and showcase the value this work can bring to society.

HIGHLIGHTS

- New employee-based community outreach initiative with grants awarded to eight local organizations in our areas of operation
- 22 employees completed the 14 month-long Leadership Development Program
- Over 1,100 non-Stepan family employees maintain stock ownership in the Company

Awards and Recognition

- OSHA Voluntary Protection Program Award for Stepan Anaheim, California; Millsdale, Illinois; and Winder, Georgia, facilities.

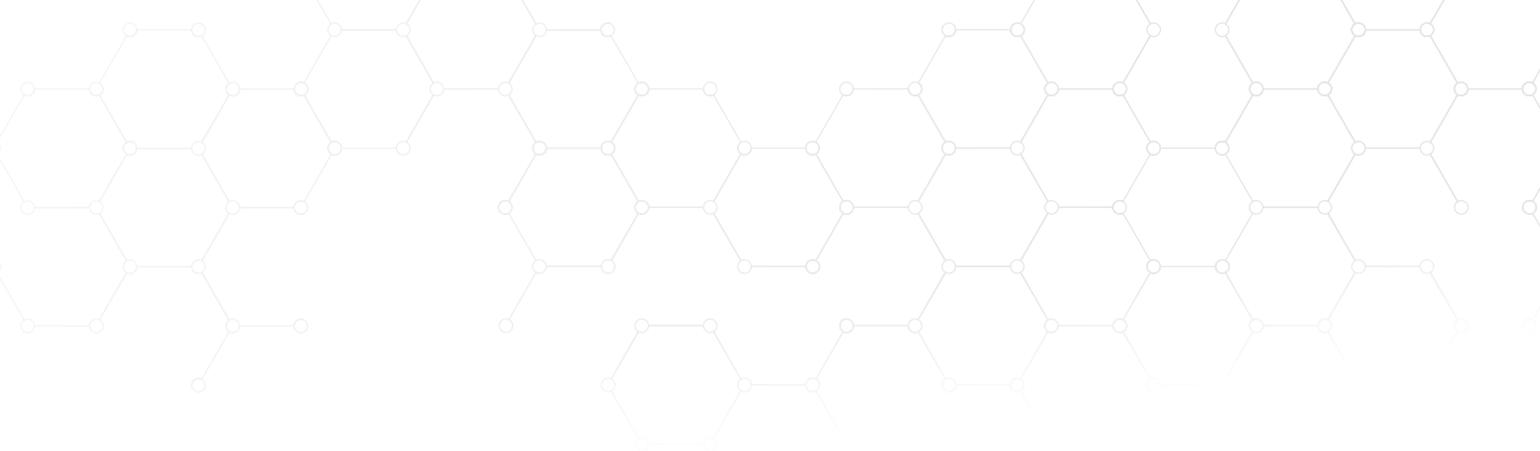
Content Index

Global Reporting Initiative (GRI) and
Sustainability Accounting Standards Board (SASB)

Red type denotes hyperlinks

GENERAL DISCLOSURES

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|-----------------------------------|------------|--|
| Organizational Profile | | |
| GRI 102: General Disclosures 2016 | 102-1 | Name of the organization |
| | 102-2 | Activities, brands, products, and services |
| | 102-3 | Location of headquarters |
| | 102-4 | Locations of operations |
| | 102-5 | Ownership and legal form |
| | 102-6 | Markets served |
| | 102-7 | Scale of the organization |
| | 102-11 | Precautionary Principle or approach |
| | 102-12 | External initiatives |



| LOCATION OR DIRECT ANSWER | PAGE # |
|--|--------|
| Stepan Company | |
| About Stepan | 4 |
| About Stepan | 4 |
| About Stepan Stepan Corporate Website / Locations | 4 |
| Form 10-K, Item 1, page 3 | |
| Form 10-K, Item 1, page 3 Stepan Corporate Website / Markets | |
| Form 10-K, Item 1, page 3; page 20 About Stepan | 4 |
| Stepan Code of Conduct | |
| Sustainability at Stepan / Voluntary Accountability Frameworks Global Reporting Initiative Sustainability Accounting Standards Board | 12, 34 |

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|-----------------------------|------------|---|
| | 102-13 | Memberships of associates |
| Strategy | | |
| | 102-14 | Statement from senior decision-maker |
| Ethics and Integrity | | |
| | 102-16 | Values, principles, standards, and norms of behavior |
| | 102-17 | Mechanisms for advice and concerns about ethics |
| Governance | | |
| | 102-18 | Governance structure |
| | 102-19 | Delegating authority |
| | 102-20 | Executive-level responsibility for economic, environmental, and social topics |
| | 102-22 | Composition of the highest governance body and its committees |
| | 102-23 | Chair of the highest governance body |
| | 102-24 | Nominating and selecting the highest governance body |
| | 102-25 | Conflicts of interest |

Stepan is a voluntary member of numerous organizations including American Chemistry Council Responsible Care; American Cleaning Institute; Ethics and Compliance Initiative; Society of Corporate Compliance and Ethics; Polyisocyanurate Insulation Manufacturers Association.

Message from the CEO

2

About Stepan / Company Values

Governance

Sustainability at Stepan / Voluntary Accountability Frameworks

4, 5, 12, 14

Responsible Practices

Stepan Code of Conduct

Stepan Code of Conduct

An anonymous reporting mechanism can be accessed online via EthicsPoint and by phone in 12 countries.

Governance

Stepan Corporate Website / Corporate Governance

5

Sustainability at Stepan

6

Sustainability at Stepan / Our Approach

7

Stepan Corporate Website / Corporate Governance

Stepan Corporate Website / Board of Directors

Stepan Corporate Website / Nominating and Corporate Governance Committee Charter

Stepan Corporate Website / Corporate Governance Guidelines

Stepan Corporate Website / Bylaws

Stepan Corporate Website / Corporate Governance Guidelines

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|---------------------|-------------------|--|
| | 102-26 | Roles of highest governance body in setting purpose, values and strategy |
| | 102-27 | Collective knowledge of highest governance body |
| | 102-28 | Evaluating the highest governance body's performance |
| | 102-29 | Identifying and managing economic, environmental, and social impacts |
| | 102-31 | Review of economic, environmental, and social topics |
| | 102-32 | Highest governance body's role in sustainability reporting |
| | 102-33 | Communicating critical concerns |
| | 102-35 | Remuneration policies |
| | 102-36 | Process for determining remuneration |
| | 102-37 | Stakeholders' involvement in remuneration |
| | 102-38 | Annual total compensation ratio |

Stakeholder Engagement

| | | |
|--|--------|--|
| | 102-40 | List of stakeholder groups |
| | 102-41 | Formal collective agreements concerning working conditions Collective bargaining agreements and European Works Councils |
| | 102-42 | Identifying and selecting stakeholders |
| | 102-43 | Approach to stakeholder engagement |
| | 102-44 | Key topics and concerns raised |

| LOCATION OR DIRECT ANSWER | PAGE # |
|--|--------|
| Governance | 5 |
| Sustainability at Stepan | 6 |
| Stepan Corporate Website / Corporate Governance Guidelines | |
| Sustainability at Stepan | 6 |
| Sustainability at Stepan | 6 |
| Sustainability at Stepan | 6 |
| Stepan Code of Conduct | |
| Stepan 2019 Proxy Statement, page 17–43 | |
| Stepan 2019 Proxy Statement, page 19–21 | |
| Stepan 2019 Proxy Statement, page 20; page 44–45 | |
| Stepan 2019 Proxy Statement, page 40–41 | |
| <hr/> | |
| Sustainability at Stepan / Stakeholder Engagement and Materiality | 7 |
| 38% of all employees | |
| Sustainability at Stepan / Stakeholder Engagement and Materiality | 7 |
| Sustainability at Stepan / Stakeholder Engagement and Materiality | 7 |
| Sustainability at Stepan / Stakeholder Engagement and Materiality Sustainability Priorities | 7, 8 |

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|----------------------------|-------------------|--|
| Reporting Practices | | |
| | 102-45 | Entities included in the consolidated financial statements |
| | 102-46 | Defining report content and topic Boundaries |
| | 102-47 | List of material topics |
| | 102-50 | Reporting period |
| | 102-52 | Reporting cycle |
| | 102-53 | Contact point for questions regarding the report |
| | 102-54 | Claims of reporting in accordance with the GRI Standards |
| | 102-55 | GRI content index |

TOPIC SPECIFIC DISCLOSURES

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|-----------------------------------|-------------------|--|
| ECONOMIC | | |
| Anti-Corruption | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 205: Anti-Corruption 2016 | 205-1 | Operations assessed for risks related to corruption |
| | 205-2 | Communication and training about anti-corruption policies and procedures |

| LOCATION OR DIRECT ANSWER | PAGE # |
|--|--------|
| Form 10-K, Item 7, page 21 | |
| Sustainability at Stepan / Stakeholder Engagement and Materiality Sustainability Priorities | 7, 8 |
| Sustainability at Stepan / Sustainability Priorities | 8 |
| About This Report | |
| About This Report | 3 |
| About This Report | 3 |
| About This Report | 3 |
| GRI Content Index | 34 |

| LOCATION OR DIRECT ANSWER | PAGE # |
|---|--------|
| Responsible Practices / Our Commitment <i>Boundary: Internal, All Operations</i> | 15 |
| Responsible Practices / Our Approach / Ethics and Compliance | 15 |
| Responsible Practices / Our Approach / Ethics and Compliance | 15 |
| Analyst Download | |
| Responsible Practices / Ethics and Compliance Analyst Download | 15 |

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|-----------------------------------|--------------|---|
| ENVIRONMENTAL | | |
| Energy | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization |
| | 302-3 | Energy intensity |
| SASB | RT-CH-130a.1 | (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy |
| Water | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 303: Water 2018 | 303-1 | Interactions with water as a shared resource |
| | 303-2 | Management of water discharge-related impacts |
| | 303-3 | Water withdrawal |

| | |
|---|--------|
| Efficiency for the Planet / Our Commitment | |
| Efficiency for the Planet / Our Approach / Operations Management <i>Boundary: Internal, All Operations</i> | 19 |
| Efficiency for the Planet / Our Approach / Operations Management | 19 |
| Efficiency for the Planet / Our Approach / Operations Management, Emissions | 19, 20 |
| Analyst Download | |
| Analyst Download | |
| Analyst Download | |

| | |
|---|--------|
| Efficiency for the Planet / Our Commitment | |
| Efficiency for the Planet / Our Approach / Operations Management In addition to water being used as an important ingredient in many of our products, Stepan utilizes water resources for steam heat in production process, industrial process cooling and for cleaning production equipment across our manufacturing facilities globally. <i>Boundary: Internal, All Operations</i> | 19 |
| Efficiency for the Planet / Our Approach / Operations Management | 19 |
| Efficiency for the Planet / Our Approach / Operations Management, Water Use | 19, 23 |
| Efficiency for the Planet / Our Approach / Water Use | 23 |
| Each site manages water usage and waste water discharges according to the regulations and limits for that site or region. Some sites have their own water treatment operations while others work with local municipalities for disposal. Water quality is monitored and treated to meet at least minimum standards for quality of effluent discharge. | |
| Analyst Download | |

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|---------------------|-------------------|--|
| | 303-4 | Water discharge |
| | 303-5 | Water consumption |
| SASB | RT-CH-140a.3 | Description of water management risks and discussion of strategies and practices to mitigate those risks (Discussion & Analysis) |
| | RT-CH-140a.1 | (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress (Thousand cubic meters (m ³), Percentage (%)) |

Emissions

| | | |
|-----------------------------------|--------------|--|
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions |
| | 305-2 | Energy indirect (Scope 2) GHG emissions |
| | 305-4 | GHG emissions intensity |
| | 305-5 | Reduction of GHG emissions |
| SASB | RT-CH-110a.1 | Gross global Scope 1 emissions, percentage covered under emissions-limiting regulation (Metric tons (t) CO ₂ -e, Percentage (%)) |
| | RT-CH-110a.2 | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets |

Analyst Download

Analyst Download

Efficiency for the Planet / Our Approach / Water Use

23

Analyst Download

Efficiency for the Planet / Our Commitment

Efficiency for the Planet / Our Approach / Operations Management

19

Boundary: Internal, All Operations

Efficiency for the Planet / Our Approach / Operations Management

19

Efficiency for the Planet / Our Approach / Operations Management, Emissions

19, 20

Analyst Download

Analyst Download

Analyst Download

Efficiency for the Planet / Our Approach / Emissions

20

Analyst Download

Analyst Download

Stepan conforms to the ACC Responsible Care® Management System and is in the process of implementing an enhanced management system with criteria from ISO 14001 (environmental management) and ISO 50001 (energy management) incorporated. Stepan has established baseline data for energy usage and greenhouse gas emissions across our global facilities. We have defined energy use and emissions reduction targets and are committed to incorporating renewable energy as part of our efficiency and emissions management program.

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|--|-------------------|--|
| Effluents and Waste | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 306: Effluents and Waste 2016 | 306-1 | Water discharge by quality and destination: U.S. volumes only (megaliters) |
| | 306-2 | Waste by type and disposal method: Global volumes of hazardous waste only (kilotons) |
| | 306-3 | Significant spills |
| SASB | RT-CH-150a.1 | Amount of hazardous waste generated, percentage recycled |
| Environmental Compliance | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 307: Environmental Compliance 2016 | 307-1 | Non-compliance with environmental laws and regulations |

Efficiency for the Planet / Our Commitment

Efficiency for the Planet / Our Approach / Operations Management

19

Boundary: Internal, All Operations

Efficiency for the Planet / Our Approach / Operations Management

19

Efficiency for the Planet / Our Approach / Operations Management, Waste Reduction

19, 23

Wastewater, unknown: 0.20

Wastewater, indirect discharge: 28.49

Wastewater direct discharge, including rainwater: 1,290.4

Wastewater, offsite shipment: 3.18

Incineration: 2.30

Waste to Energy: 0.05

Fuel Blending: 244.33

Landfill: 1.34

Recycle/Reclaim: 2.77

Wastewater Treatment: 1.8

Other/Unknown: 4.71

8 Tier 1 spills based on the API 754 standard methodology, representing 0.003% of volumes sold in 2019

257.3 kilotons generated, 1% recycled and reclaimed

The commitment to operate and produce products according to all applicable environmental laws and regulations is a fundamental requirement for earning and maintaining our license to operate globally.

Boundary: Internal, All Operations.

Efficiency for the Planet / Our Approach / Operations Management

19

Stepan conducts internal audits across sites and external audits where requested or required by customer, supplier, governments, or in fulfillment of our industry memberships, as well as for maintenance of site certifications. Fines, violations, incidents and spills are tracked at all sites and reported up to senior leadership and the Board.

Seven Environmental Regulatory Notices of Violation for global operations in 2019

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|--|--------------|---|
| Supplier Environmental Assessment | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 308: Supplier Environmental Assessment | 308-1 | New suppliers that were screened using environmental criteria |
| SASB | CG-HP-430a.1 | Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim (Metric tons (t), Percentage (%)) |

SOCIAL

| | | |
|---------------------------------------|-------|--|
| Occupational Health and Safety | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 403: Management Approach 2018 | 403-1 | Occupational health and safety management system |
| | 403-2 | Hazard identification, risk assessment, and incident investigation |
| | 403-3 | Occupational health services |

Responsible Practices / Our Approach / Third Party Partnerships
Boundary: Internal, All Operations; External, Supply Chain 17

Responsible Practices / Our Approach / Third Party Partnerships 17

Responsible Practices / Our Approach / Third Party Partnerships 17

Analyst Download

Analyst Download

Responsible Practices / Our Approach / Employee Safety and Health
 Investing in People / Our Approach / Employee Safety 15, 29
Boundary: Internal, All Operations

Responsible Practices / Our Approach / Employee Safety and Health 15

Responsible Practices / Our Approach / Employee Safety and Health 15

Responsible Practices / Our Approach / Employee Safety and Health 15

Stepan proactively identifies potential hazards and works to mitigate safety risks across all sites. Stepan tracks and reports on incidents and near-misses across our global facilities, on an ongoing basis. Employees receive safety training and also training on reporting incidents/near-misses.

All Stepan locations are required to have a functioning Environmental, Health, Safety and Security (EHS&S) committee that participates in improving safe and healthful working conditions at that site. Stepan implements behavior-based safety programs including training and awareness activities.

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|--|-------------------|--|
| GRI 403: Occupational Health and Safety 2018 | 403-4 | Worker participation, consultation, and communication on occupational health and safety |
| | 403-5 | Worker training on occupational health and safety |
| | 403-6 | Promotion of worker health |
| | 403-8 | Workers covered by an occupational health and safety management system |
| | 403-9 | Work-related injuries |
| | 403-10 | Work-related ill health |
| SASB | RT-CH-320a.2 | Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks (Discussion & Analysis) |
| | RT-CH-320a.1 | (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees (rate) |
| Training and Education | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs |

LOCATION OR DIRECT ANSWER**PAGE #**

Approximately 38% of Stepan employees participate in local unions or European Works Councils. All employees are encouraged to provide feedback through numerous mechanisms, including direct communication with managers, use of the company Ethics Hotline, and participation in the National Safety Council Occupational Safety Climate Assessment Report (OSCAR) survey. The OSCAR survey is conducted every 3–4 years and is used to evaluate employee satisfaction and engagement. Issues of concern are identified across our sites and results are used to develop improvement plans.

[Investing in People / Our Approach / Employee Safety](#)

29

[Investing in People / Our Approach / Employee Benefits and Well-Being](#)

31

58% of sites covered

62% of workers based on hours worked

[Analyst Download](#)

[Analyst Download](#)

[Responsible Practices / Our Approach / Employee Safety and Health](#)

Sites perform Hazard and Risk Assessments and Job Hazard Analysis. As part of ongoing and new safety programs, we are implementing enhanced work-role specific programs based on hazard recognition initiatives.

15

[Analyst Download](#)

[Investing in People / Our Commitment](#)

[Investing in People / Our Approach / Employee Training and Development](#)

29, 30

Boundary: Internal, All Operations

[Investing in People / Our Approach / Employee Training and Development](#)

30

[Investing in People / Our Approach / Employee Training and Development](#)

30

2–6 hours of Ethics and Compliance training depending on level in the organization;
6–20 hours of safety related training annually, depending on role of employee.

[Investing in People / Our Approach / Employee Training and Development](#)

30

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|-------------------------------------|-------------------|--|
| | 404-3 | Percentage of employees receiving regular performance and career development reviews |
| Local Communities | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impacts assessments, and development programs |
| SASB | RT-CH-210a.1 | Discussion of engagement processes to manage risks and opportunities associated with community interests (Discussion & Analysis) |
| Supplier Social Assessment | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary |
| | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 414: Supplier Social Assessment | 414-1 | New suppliers that were screened using social criteria |

50%

Investing in People / Our Commitment

Investing in People / Our Approach / Community Connections

29, 33

Boundary: External, Communities where we operate

Investing in People / Our Approach / Community Connections

33

Investing in People / Our Approach / Community Connections

33

For all Stepan facilities, Stepan personnel engage to promote safety and safety awareness. Safety within the workplace is a critical first step for enabling community safety. This includes workplace safety training for employees to reduce risks, mitigate impacts of an incident, and promote most effective response in case of an event. Sites engage with local first responders in a variety of trainings and drills to promote incident readiness and management. At some Stepan facilities, First Responders participate in Stepan's Safe Start trainings, and in other regions trainings are organized offsite to accommodate the particular needs of and to promote collaboration and preparedness among industrial park members. For some sites, Stepan personnel engage in community building events to promote safety awareness. These events include participation in townhalls, distribution of informational pamphlets to nearby community members, or hosting events to enable community members and families to learn about Stepan operations and commitments to safety

Investing in People / Our Approach / Community Connections

33, 23

Efficiency for the Planet / Our Approach / Water Use

Responsible Practices / Our Approach / Third Party Partnerships

17

Boundary: External, Supply Chain

Responsible Practices / Our Approach / Third Party Partnerships

17

Responsible Practices / Our Approach / Third Party Partnerships

17

Analyst Download

| GRI STANDARD | DISCLOSURE | DESCRIPTION |
|-------------------------------------|--------------|--|
| Customer Health and Safety | | |
| | 103-1 | Explanation of the material topic and its Boundary |
| GRI 103: Management Approach 2016 | 103-2 | The management approach and its components |
| | 103-3 | Evaluation of the management approach |
| GRI 416: Customer Health and Safety | 416-1 | Assessment of the health and safety impacts of product and service categories |
| SASB | RT-CH-410b.2 | Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact (Discussion & Analysis) |
| | RT-CH-410b.1 | (1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment (Percentage (%) by revenue, Percentage (%)) |

Responsible Practices / Our Approach / Product Stewardship and Compliance

Boundary: Internal, All Operations; External, Customers

16

Responsible Practices / Our Approach / Product Stewardship and Compliance

Advantageous Products / Our Commitment

Advantageous Products / Our Approach, Benefitting People and the Environment

16, 25

Responsible Practices / Our Approach / Product Stewardship and Compliance

Advantageous Products / Our Approach, Benefitting People and the Environment

16, 25

5.4% of Stepan chemicals are classified as 'high-priority' chemicals according to GHS and other national and international standards.

As members of American Chemistry Council (ACC), Stepan is actively engaged with the Global Product Strategy (GPS) initiative. GPS, which is designed to meet the United Nations Strategic Approach to Chemicals Management, aims to improve product stewardship within the chemical industry and with suppliers and customers throughout the chain of commerce. Additionally, Stepan has implemented the Product Safety Code which contains 11 management practices to focus on the knowledge, management, and communication of the health and environmental impacts of chemical products. Stepan has prioritized the chemicals we manufacture and are using a tiered approach to create our product stewardship summaries. Product stewardship summaries have been completed for those chemicals identified as being a high priority according to national and/or international regulation.

5.4% of Stepan chemicals are classified as 'high-priority' chemicals according to GHS and other national and international standards.

100% of Stepan's 'high-priority' chemicals have Product Stewardship summaries prepared and publicly available on the company website.

This report contains forward-looking statements that are based on Stepan's current assumptions and expectations, including statements regarding our sustainability targets, goals, commitments and programs and other business plans, initiatives and objectives. In some cases, forward-looking statements can be identified by the use of words such as "expect," "intend," "plan," "seek," "estimate," "potential," "continue," "will," "should," "goal" and variations of these terms and similar expressions. Stepan's actual future results, including the achievement of our targets, goals or commitments, could differ materially from our projected results as the result of changes in circumstances, assumptions not being realized, or other risks and uncertainties. Such risks and uncertainties include, without limitation, those described in Stepan's Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission. The forward-looking statements in this report are made as of the date of this report, and Stepan assumes no obligation to update any forward-looking statement, including financial estimates and forecasts, whether as a result of future events, circumstances or developments or otherwise.

Stepan

