**Blueprint for Corporate Sustainability Leadership at BASF 2016**

**Implementing the Ten Principles into Strategies and Operations**

**Full Coverage and Integration Across Principles**

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<th>Blueprint Aspects</th>
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| Implement all the ten UN Global Compact principles into strategies and operations.| We respect and promote  
  - the ten principles of the U.N. Global Compact,  
  - the United Nations’ Universal Declaration of Human Rights and the two U.N. human right covenants,  
  - the ILO’s core labor standards and Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration),  
  - the UN Guiding Principles on Business and Human Rights  
  - the OECD Guidelines for Multinational Enterprises,  
  - the Responsible Care Global Charter, and  
  - the German Corporate Governance Code. |
| Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs. |  |
As a founding member of the UN Global Compact, we are committed to our responsibility in accordance with the UN Guiding Principles on Business and Human Rights.

The BASF Report combines our financial and sustainability reporting and is addressed to readers interested in both areas. In addition to our integrated corporate report, we publish further information about sustainability issues on the internet. The information in the BASF Report 2015 also serves as a progress report on BASF’s implementation of the ten principles of the UN Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership - an action plan initiated as part of the Global Compact LEAD platform.

Through our materiality analysis, continuous dialog with stakeholders, and our many years of experience, we are always developing a better understanding of significant topics and trends as well as potential opportunities and risks along our value chain.

We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF’s central steering committee for sustainable development. It is comprised of heads of our business, corporate and functional units as well as of the regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Its members bring an important external perspective to the table in...
discussions with BASF’s Board of Executive Directors, thereby helping us expand our strengths and identify our potential for improvement.

### References

- BASF Report 2016
  - Chapter “Corporate Strategy”, pp. 22-25
  - Chapter “Sustainability management”, pp. 29-31
  - Chapter “About this report”, pp. 2-4

## Robust Management Policies and Procedures

<table>
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<tr>
<th>Blueprint Aspects</th>
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<tr>
<td>Assess risks and opportunities on an ongoing basis at both enterprise and product level and undertake due diligence to ensure that the company identifies any negative impacts</td>
<td>With our &quot;We create chemistry&quot; strategy, we have defined the values on which we base our actions. Based on our value of acting responsibly as an integral part of society, our standards meet internationally recognized principles and fulfill or exceed existing laws and regulations. We stipulate rules for our employees with standards that apply Group-wide. We set ourselves ambitious goals for observing</td>
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<td>caused by its operations and activities.</td>
<td>voluntary commitments and review our environmental, health and safety performance using our Responsible Care Management System. A worldwide monitoring system ensures our compliance with labor and social standards. Our business partners are expected to uphold prevailing laws and requirements and to align their actions with internationally recognized principles, and we have established monitoring systems to ensure this.</td>
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<td>Develop strategies and policies specific to the company’s operating context – as well as scenarios for the future - and establish measurable short, medium, and long term goals.</td>
<td>We take advantage of business opportunities by offering our customers innovative products and solutions that contribute to sustainable development. We ensure that sustainability criteria are integrated into our business units’ development and implementation of their strategies, research projects, and innovation processes. For example, we identify the sustainability value drivers and risks for specific value chains. We analyze the sustainability strategies of competitors and customers in order to tap new business opportunities.</td>
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<tr>
<td>Engage and educate employees through training activities, the development and adjustment of business processes, and sound incentive schemes.</td>
<td>Our risk management supports our long-term business success. We aim to reduce risks by setting ourselves globally uniform requirements for environmental and health protection, safety and security, product stewardship, compliance, and labor and social standards that frequently go beyond legal requirements. Our investment decisions for property, plant and equipment and financial assets also involve sustainability criteria. Our decision-making is</td>
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<td>Implement a system to track and measure performance</td>
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based on standardized performance metrics.

supported by expert appraisals that assess economic implications as well as potential effects on the environment, human rights or local communities.

We used a materiality analysis in 2013 to identify and prioritize relevant sustainability topics for BASF. We started by collecting around 100 potentially relevant subjects. A workshop and qualitative interviews with internal and external specialists revealed that 38 of these were particularly relevant. Using a global survey, we gathered feedback on these 38 topics from around 350 external stakeholders worldwide, as well as around 90 experts and managers from various functions within the company. The participants rated the topics in terms of their current and future relevance for BASF. The results of this ranking are presented in a materiality matrix. Finally, the findings were discussed in internal workshops.

The results, which are grouped into eight material aspects of sustainability, help BASF identify present and future opportunities and risks for its business and develop strategies to address these at early stage. Material aspects derived from this include, for example, energy and climate, water, resources and ecosystems, responsible production, and employment and employability. These are the focus
areas of our reporting. We have also integrated them into our steering processes and used them as the basis for working out our new global sustainability goals.

In order to properly account for changing conditions and requirements, we initiated an internal analysis in 2015 to review the results of the materiality analysis. We have already started involving numerous colleagues and in 2016, we have exchanged with external stakeholders on specific topics.

Our learning and development opportunities support the Best Team Strategy and have a direct connection to business. We want to enable life-long, learner-centric learning; in so doing, we follow the “70-20-10” philosophy. That means applying the elements “learning from experience” (70%), “learning from others” (20%) and “learning through courses and media” (10%). We spent around €69 million on further training in 2016.

We also engage our employees in a variety of trainings to strengthen their awareness and ability to act according to the company's objectives for example in the areas of health and safety or compliance. Examples:
We recorded around 118,000 enrollments in occupational safety training courses worldwide in 2016. These seminars comprise not only legally stipulated instructions, but also courses on safe procedures to strengthen our employees’ risk-aware behavior and prevent work-related accidents.

Our compliance trainings take place in different formats, including face-to-face training, e-learning or workshops. The course materials and formats are constantly being updated. In total, more than 25,000 participants worldwide received around 40,000 hours of compliance training in 2016.

We set ourselves globally consistent standards. We use various systems to monitor whether and how our sites adhere to these standards for environment, safety performance, health and product stewardship using our Responsible Care Management System. Furthermore, we check to make sure they fulfill commitments to labor, social and compliance standards. We conduct internal audits on process safety, occupational health and safety, and environmental protection. We review labor and social standards based on three main pillars. This includes an external compliance hotline, an annual survey of our Group companies and dialog with employee representatives and international organizations. In addition to economic criteria,
new and existing suppliers are selected based on environmental, social and corporate governance standards.

We have set voluntary long-term global goals in the areas of economy, environment, safety, employees and society. Through these goals, sustainable development at BASF is transparent and verifiable.

References

BASF Report 2016

- Chapter “Corporate Strategy”, pp. 22-25
- Chapter “Goals”, pp. 26-28
- Chapter “Sustainability Management” pp.29-31
- Chapter “Working at BASF”, pp.40-45
- Chapter „Suppliers”, pp. 92-93
- Chapter “Production”, pp. 98-100-
- Chapter “Compliance” in Corporate Governance Report, pp. 134-135

Further references

- Materiality analysis
## Mainstreaming into Corporate Functions and Business Units

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<tr>
<th>Blueprint Aspects</th>
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<tr>
<td>Place responsibility for execution of sustainability strategy in relevant</td>
<td>Sustainability is embedded into our corporate strategy. We employ the various tools of our sustainability management toward living out</td>
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<td>corporate functions (procurement, government affairs, human resources, legal,</td>
<td>our corporate purpose: “We create chemistry for a sustainable future”. This is how we underpin the strategic principle, “We drive sustainable solutions.” By integrating sustainability aspects into our core business, we take advantage of business opportunities and minimize risks along the value chain.</td>
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<td>etc.) and ensure that no function is operating in conflict with sustainability</td>
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<tr>
<td>commitments and objectives of company.</td>
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<tr>
<td>Align strategies, goals and incentive structures of all business units and</td>
<td>We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF’s central steering committee for sustainable development. It is comprised of heads of our business, corporate and functional units as well as of the regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Its members bring an important external perspective to the table in discussions with BASF’s</td>
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<td>subsidiaries with corporate sustainability strategy.</td>
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Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary. 

Board of Executive Directors, thereby helping us expand our strengths and identify our potential for improvement.

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<td>BASF Report 2016</td>
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<td>• Chapter “Sustainability Management “, pp. 29-31</td>
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### Value Chain Implementation

#### Blueprint Aspects

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<td>Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.</td>
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<td><strong>Upstream:</strong></td>
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<td>With our sustainability-oriented supply chain management, we contribute to risk management by boosting our suppliers’ awareness of our expectations and standards, and by supporting them in carrying out our specifications. By 2020, we aim to evaluate the sustainability performance of 70% of BASF Group’s relevant suppliers pursuant to our risk-based approach and develop action plans for any necessary</td>
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<tr>
<td>Communicate policies and expectations to suppliers and other relevant business partners.</td>
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<tr>
<td>Implement monitoring and assurance mechanisms within company’s sphere of influence.</td>
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<td>Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.</td>
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in which potential supply chain risks can be identified and minimized together with our suppliers.

BASF is a founding member of the Together for Sustainability (TfS) initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. With the help of TfS, we advance sustainability in the supply chain. The initiative aims to develop and implement a global program for the responsible supply of goods and services and improve suppliers’ environmental and social standards. The evaluation process is simplified for both suppliers and TfS member companies through a globally uniform questionnaire. The initiative’s members conducted a total of 1,773 sustainability assessments and 241 audits in 2016. Membership has tripled since the initiative was founded; there were 19 members in 2016. We conducted a Supplier Day in Mumbai, India, in 2016 as part of the TfS initiative. TfS also provided training to suppliers at the annual China Petroleum and Chemical Industry Federation (CPCIF) Conference in Shanghai, China, in order to strengthen awareness for sustainability in the region.

In 2016, we continued the collaborations in China and Brazil in 2014 to instruct suppliers on sustainability standards. We have developed a training program together with the East
China University of Science and Technology in Shanghai, and plan to educate around 2,000 suppliers by 2019. We are pursuing the same approach in Brazil together with the Espaço ECO® Foundation. Through these cooperations 267 suppliers already received training in 2016.

Our audits have revealed some deviations with respect to working hours and payment of the minimum wage, especially in China. Here, we have called for improvements on the part of our suppliers. None of our 2016 audits identified instances of child labor. For the suppliers we reviewed, persons under 18 were excluded from overtime and dangerous work; we found one case of unauthorized night work. We did not find any incidences of forced labor in 2016. Downstream:

We ensure uniformly high standards for product stewardship worldwide and our voluntary initiatives go beyond legal requirements. We monitor the implementation of our guidelines with regular audits.

We provide extensive information on our chemical sales products to our customers with safety data sheets in more than 40 languages. This is achieved with the help of a global database in which we maintain and evaluate continuously
updated environmental, health and safety data for our substances and products. Our global emergency hotline network provides information around the clock.

We offer our customers training in the safe use of our products and keep them informed early on of any changes in regulations. For example, we were one of the first companies to offer product-specific information and solutions to pharmaceutical manufacturers on the topic of metallic contaminants, as well as web-based consultation to customers in the pharmaceutical industry and authorities. In the Crop Protection division, we provide special safety training to farmers. We expanded our stewardship program for banana farmers to Latin America, China and the Philippines, where on-site BASF experts show how crop protection products can be used and stored in an effective and safe manner for people and the environment. With an eye on consumer protection criteria, we also work continuously with our customers on the optimization of our products. Furthermore, we use our Eco-Efficiency Analysis to advise our customers on the evaluation of product risks and support them in improving the carbon footprint of their products.

With our global risk assessment goal, we are supporting the implementation of initiatives such as the Global
Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing worldwide standards and best practices to improve the safe management of chemical substances. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets. In 2016, for example, we conducted training sessions for chemical industry representatives on GPS in China, India and Kenya on safe chemical management. To facilitate public access to information, we are participating in the setup of an ICCA online portal that provides more than 4,600 GPS safety summaries.

References

BASF Report 2015

- Chapter “Suppliers”, pp.92-93
- Chapter „Product Stewardship“, pp. 101

See more on Supply chain management

Taking Action in Support of Broader UN Goals and Issues

Core Business Contributions to UN Goals and Issues

Blueprint Aspects | BASF
<table>
<thead>
<tr>
<th>Align core business strategy with one or more relevant UN goals / issues.</th>
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<tr>
<td>Develop relevant products and services or design business models that contribute to UN goals / issues.</td>
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<tr>
<td>Adopt and modify operating procedures to maximize contribution to UN goals / issues.</td>
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**Strategy**

With the “We create chemistry” strategy, BASF has set itself ambitious goals to strengthen its position as the world’s leading chemical company. We want to contribute to a sustainable future and have embedded this into our corporate purpose: “We create chemistry for a sustainable future.”

We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. We do so by creating chemistry for our customers and society and by making the best use of available resources.

We live our corporate purpose by:

- Sourcing and producing responsibly
- Acting as a fair and reliable partner
- Connecting creative minds to find the best solutions for market needs

For us, this is what successful business is all about.

Our leading position as an integrated global chemical company gives us the chance to make important contributions in the following three areas:

- Resources, environment and climate
- Food and nutrition
- Quality of life
Innovations in chemistry are necessary to meet the needs of the growing world population on a long-term basis. The development of innovative products and solutions is, therefore, of vital significance for BASF. In the long term, we aim to continue significantly increasing sales of these products and solutions, and earn higher margins with them than the rest of our portfolio. This means effective and efficient research is becoming increasingly important. Aside from research and development activities in our established business, we are also working on growth fields to tap new business areas for BASF. Through these, we can make a decisive contribution to innovative solutions for global challenges and contribute to sustainable development.

**Development**

We regularly review the growth fields in terms of their attractiveness for BASF. We will tailor our technology fields even more closely to BASF Group’s needs and recognize them into key technologies. Key technologies combine skills and knowledge to maintain the long-term competitiveness of our business and products. Our worldwide research expertise is pooled into three platforms, each headquartered in one of the regions particularly significant for us: Europe, Asia Pacific and North America: Process Research & Chemical
Engineering (Ludwigshafen, Germany), Advanced Materials & Systems Research (Shanghai, China) and Bioscience Research (Research Triangle Park, North Carolina). In the long term, we aim to conduct half of our research and development activities outside of Europe and are continuing to expand our R&D activities in both Asia and America. This means focusing on growth in regional markets. Our stronger global presence opens new opportunities to participate in regional developments in innovation and gain access to local talent.

In the years ahead, we want to grow even more vigorously in the emerging markets and further expand our position there. Today’s emerging markets are expected to account for around 60% of global chemical production in 2020. We aim to benefit from the above-average growth in these regions and therefore plan to invest more than a quarter of our capital expenditures there between 2016 and 2020. We aim to benefit from the above-average growth in these regions and therefore plan to invest more than a quarter of our capital expenditures there between 2017 and 2021.

Innovation
Innovations are an important success factor for BASF’s long-term growth. With chemistry, we can sustainably create value for customers and society.

The growing world population’s increasing demand for food requires additional solutions for healthier plants and higher yields that supplement conventional crop protection. This is why we research new products in the Functional Crop Care growth field that, for example, improve plant growth, better protect seeds, and help plants use scarce resources like water and nutrients more efficiently. Farmers all over the world mainly employ urea-based fertilizers in order to ensure that plants are supplied with enough nitrogen. However, some of the nitrogen contained in these fertilizers is lost as gaseous ammonia. Limus® can greatly reduce these losses. Thanks to its special formulation, this product also enables better storage of urea-based fertilizers. Limus® guarantees farmers both efficient fertilizer application and higher yields.

**Contribution**

We use our established Eco-Efficiency Analysis tool to identify critical parameters for improving the ecological and economic balance of our products and processes along the value chain. To even better support our divisions in implementing sustainability strategies and goals, we also offer
other ecological evaluation instruments alongside the Eco-Efficiency Analysis.

These include the methods often used for impact assessment as a part of life-cycle analyses.

With our AgBalance® method, we can address specific questions to improve sustainability in agricultural production and products in the food sector. We use the information from these comprehensive evaluations to work on products and solutions together with our customers that contribute to sustainable development.

We have also developed Sustainable Solution Steering, a comprehensive sustainability evaluation and decision making process for the entire BASF business. Using this process we can identify the BASF solutions that make a significant contribution in terms of sustainability within their industry sector, as well as those solutions in our large portfolio that, at present, do not fully meet the standards of sustainable development that we would like to achieve.
This Sustainable Solution Steering will be the bedrock of how BASF develops market-leading sustainable products. It will give us the insight and understanding to work with our partners along the value chain to create sustainable solutions through continuous improvements, innovation and responsible action.

The objective of Sustainable Solution Steering is to provide us with a fully transparent and consistent evaluation of the sustainability performance of BASF’s solutions. Regarding social aspects, it is assessed, for instance, whether the solution contributes to the UN Sustainable Development Goals.

We have identified numerous business opportunities but also challenges in our business. We believe Sustainable Solution Steering will provide us, and our customers, with the roadmap we need to become more sustainable and to be successful in the future.

References

BASF Report 2016

- Chapter “Corporate Strategy”, pp. 22-24
- Chapter “Innovation”, pp. 32-36
### Strategic Social Investments and Philanthropy

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<tr>
<th>Blueprint Aspects</th>
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<tr>
<td>Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy.</td>
<td>We take on social responsibility: We are involved in diverse projects worldwide, especially in the communities where our sites are located. Our focus is on access to education. In this way, we promote innovative capacity and future viability.</td>
</tr>
<tr>
<td>Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.</td>
<td>The BASF Group spent a total of €47.0 million supporting projects in 2016; we donated 49.6% of this amount (2015: €56.2 million, 46% of which were donations). The decline in comparison with 2015 is attributable to the previous year’s individual special projects in honor of BASF’s anniversary. We support initiatives that reach out to as many people as possible and have a long-term impact. We foster education, science, social projects, sports and cultural events in the communities around our sites. On a regional level, we work together with universities, schools and nonprofit</td>
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Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups.

We support BASF Stiftung, a charitable foundation, in its international projects with various U.N. and nongovernmental organizations.

In 2016, we revamped our activities in terms of social commitment and designed them to have an even greater impact. The Social Engagement Strategy serves as our launchpad – we use this to strengthen our global approach to the topic. The strategy revolves around support projects having a lasting impact on society and offering learning opportunities for participating cooperation partners and BASF. The common thread throughout all worldwide social commitment activities is provided by the Sustainable Development Goals of the United Nations. Regional emphasis topics help us tailor our engagement toward local needs.

As part of its humanitarian development collaboration, the BASF Stiftung, a nonprofit organization, supported a school nutrition project of the United Nations World Food Programme in Colombia in 2016 as part of its humanitarian development work. There, healthy school meals are an important motivation for students – especially from low-income families – to attend school. The project also collaborates with small-holder farmers who supply the participating schools with...
groceries. The small-holder farmers are given specific training in advance.

In the 2016 year-end donation campaign, the company and its employees gave around €337,000 to BASF Stiftung, which is using the sum to support a World Food Programme initiative to improve living conditions for people in Ethiopia.

References

BASF Report 2016

- Chapter “Social commitment”, p. 46

Also see BASFs engagement

### Advocacy and Public Policy Engagement

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<th>Blueprint Aspects</th>
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<tr>
<td>Publicly advocate the importance of action in relation to one or more UN goals / issues.</td>
<td>BASF and its representatives are actively promoting the importance of UN Goals and issues in public.</td>
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<tr>
<td>Commit company leaders to participate in key summits,</td>
<td>BASF is actively pursuing the UN Millennium Development Goals. In the worldwide network of Global Compact LEAD, we are participating in the implementation of the “Agenda 2030” adopted by the United Nations in 2015, along with its Sustainable Development Goals. We illustrate our efforts in Food Fortification on a separate homepage.</td>
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In the past BASF’s CEOs were involved in numerous activities with public recognition to promote UN goals and issues: BASF is a founding member of the UN Global Compact (former CEO Dr. Juergen Strube), a founding member of UN Global Compact LEAD (former CEO Dr. Juergen Hambrecht).

In 2012 our CEO Dr. Kurt Bock has been appointed by former UN SG Ban Ki Moon as member of the GC Board. The U.N. Secretary General appointed BASF’s Chairman of the Board of Executive Directors as a member of the U.N. Global Compact Board for another three years.

In addition, company representatives are actively engaged in several initiatives and symposia of the UN Global Compact and UN Global Compact Lead.

References

- BASF Food Fortification
- CEO statement BASF on the UN Global Compact and Global Compact LEAD
- Dow's Andrew Liveris completes successful two-year presidency

Partnerships and Collective Action

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<tr>
<td>Develop and implement partnership projects with</td>
<td>BASF is active regarding partnership projects in UN Global Compact and UN Global Compact LEAD and beyond:</td>
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public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.

Join industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company’s positive impact on its value chain.

- BASF is involved in worldwide initiatives with various stakeholder groups, such as the U.N. Global Compact. The U.N. Secretary General appointed BASF’s Chairman of the Board of Executive Directors as a member of the U.N. Global Compact Board for another three years. In the worldwide network of Global Compact LEAD, we are participating in the implementation of the “Agenda 2030” adopted by the United Nations in 2015, along with its Sustainable Development Goals.

- As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations’ objectives.

- We are a member of the Global Business Initiative on Human Rights.

- BASF is a member of the German Roundtable of the International Integrated Reporting Council (IIRC) and a member if the pilot program of the IIRC. We served as a pilot enterprise in the development of the framework for the integrated reporting of the IIRC. Following this pilot phase, we have been active in the IR Business
Network since 2014 in order to discuss our experience with other stakeholders and at the same time receive inspiration for the enhancing our reporting.

- CDP, an international organization that analyzes companies’ climate protection data, has placed BASF among the leading companies in the world in reporting for climate protection reporting. BASF has participated in CDP’s environmental data reporting program since 2004. In 2016, BASF achieved a rating of A- and gained leadership status once again. In an analysis of the largest 350 enterprises in Germany, Austria and Switzerland by market capitalization, CDP named BASF among five companies whose efforts have contributed significantly to a reduction in environmental emissions. In addition, BASF was one of 24 companies in 2016, out of a total of 607 assessed by CDP, to receive the top grade of “A” for sustainable water management, putting it among the world’s leading enterprises in this area.

- As a member of the European Water Partnership (EWP), we played a decisive role in the development of the European Water Stewardship (EWS) standard, a voluntary industry standard. Our aim to establish sustainable water management at all sites in water stress areas was expanded in 2015: We now also want to introduce sustainable water management at all
Verbund sites by 2025. We achieved 42.6% of this goal in 2016.

We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the International Chemical Environmental (ICE) initiative and the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. In 2016, we provided assistance to other companies in 176 cases worldwide. We apply the experience we have gathered to set up similar systems in other countries: For example, we intensified our activities in South America in 2016.

With our global risk assessment goal, we are supporting the implementation of initiatives such as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing worldwide standards and best practices to improve the safe management of chemical substances. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets. In 2016, for example, we conducted training sessions for chemical industry representatives on GPS in China, India and Kenya on safe chemical management. In order to facilitate public access to information, we are participating in the setup of an
ICCA online portal that provides more than 4,600 GPS safety summaries.

- We are members of the business-driven sustainability networks like Chemie³, Conference Board, Together for Sustainability, econsense, CSR Europe, Sustainability Consortium and the World Business Council for Sustainable Development.

References

BASF Report 2016

- “Sustainability management”, pp. 29-31
- “Compliance”, pp. 134-135
- “Transportation and storage”, p. 97
- “Product stewardship “, pp. 101-102
- “Water”, pp. 107-108
- “BASF on the capital market” pp. 112-16

Further References

- Sustainability Networks

Engaging with the United Nations Global Compact

Local Networks and Subsidiary Engagement

Blueprint Aspects | BASF
<table>
<thead>
<tr>
<th>Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.</th>
<th>BASF is active in local Global Compact Networks in Germany, China, Brazil, Kenya and Poland. In the German and Chinese local networks it is even a member of the steering committee/founding board.</th>
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<tr>
<td>Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.</td>
<td>The information in the BASF Report 2016 also serves as a progress report on BASF’s implementation of the ten principles of the United Nations Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership of the Global Compact LEAD platform.</td>
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<td>Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.</td>
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Global and Local Working Groups

Blueprint Aspects

Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.

Take active part in defining scope and objectives of new working groups when relevant.

BASF

BASF is very active in the UN Global Compact and UN Global Compact LEAD on a global as well as on a national level and BASF representatives are contributing to a large number of initiatives, working groups and symposia.

In the worldwide network of Global Compact LEAD, we are participating in the implementation of the “Agenda 2030” adopted by the United Nations in 2015, along with its Sustainable Development Goals. BASF is also active in local Global Compact networks.

References

BASF Report 2016

- “About This Report”, pp. 2-4
## Issue-Based and Sector Initiatives

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<th>Blueprint Aspects</th>
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<tr>
<td>Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO</td>
<td>• BASF is involved in worldwide initiatives with various stakeholder groups, such as the U.N. Global Compact. The U.N. Secretary General appointed BASF’s Chairman of the Board of Executive Directors as a member of the U. N. Global Compact Board for another three years. In the worldwide network of Global Compact LEAD, we are participating in the implementation of the “Agenda 2030” adopted by the United Nations in 2015, along with its Sustainable Development Goals. BASF is also active in numerous local Global Compact networks.</td>
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<tr>
<td>Spearhead need-driven development of new</td>
<td>• As part of its humanitarian development collaboration, BASF Stiftung has supported various United Nations projects since 2012 – along with other international</td>
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</table>
issue-based or sector initiatives within the UN Global Compact and the wider United Nations.

nongovernmental organizations – in their efforts to deal with the effects of refugeeism and migration. In the 2016 year-end donation campaign, the company and its employees gave around €337,000 to BASF Stiftung, which is using the sum to support a World Food Programme initiative to improve living conditions for people in Ethiopia.

- In February 2006 at the 1st International Conference on Chemicals Management (ICCM-1), the International Council of Chemical Associations (ICCA) introduced an innovative Global Product Strategy (GPS) to enhance product stewardship best practices within the industry and throughout the product chain as its global contribution to the United Nations Strategic Approach to International Chemicals Management (SAICM). BASF is actively involved and strongly supports the development and global implementation of GPS. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets. In 2015, for example, we conducted training sessions for chemical industry representatives on GPS in China and Thailand. In order to facilitate public access to information, we are participating in the setup of an ICCA online portal that provides more than 4,600 GPS safety summaries.
Promotion and Support of the UN Global Compact

**Blueprint Aspects**

Advocate the UN Global Compact to business partners, peers and the general public.

**BASF**

Advocating the UN Global Compact is a key element of presentations, speeches and communication about sustainability by BASF representatives. BASF representatives promote and further develop the Global Compact by their...
Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.

Participate in activities to further develop and strengthen the UN Global Compact.

engagement within the local networks and numerous initiatives, working groups and symposia

Furthermore, BASF is a founding member of the sustainability initiative of the German chemical industry Chemie³ (Chemistry³). The sense of commitment shared by companies, employees, social partners and trade association highlights the fact that sustainability requires an all-encompassing approach which unites economic, environmental and social aspects. The aim of the initiative is to underpin sustainability as a guiding principle of the chemical industry in Germany and to provide inspiration for the international community. As a sector-specific umbrella, the guidelines provide orientation for enterprises and their workforces. They reflect core elements from national, European and international initiatives and standards, such as the 10 principles of the UN Global Compact, the Core Labour Standards of the International Labour Organisation (ILO), and the OECD Guidelines for Multinational Enterprises. They are the result of a dialogue with stakeholders within the industry as well as the political, social, scientific and economic realm.

Further References

• Sustainability Networks
### The Cross-Cutting Components

#### CEO Commitment and Leadership

<table>
<thead>
<tr>
<th>Blueprint Aspects</th>
<th>BASF</th>
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<tr>
<td>CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.</td>
<td>In the past BASF’s CEOs were involved in numerous activities with public recognition to promote UN goals and issues: BASF is a founding member of the UN Global Compact (former CEO Dr. Juergen Strube), a founding member of UN Global Compact LEAD (former CEO Dr. Juergen Hambrecht).</td>
</tr>
<tr>
<td>CEO promotes initiatives to enhance sustainability of the company’s sector and leads development of industry standards.</td>
<td>In 2012 our CEO Dr. Kurt Bock has been appointed by UN SG Ban Ki-moon as member of the GC Board.</td>
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</table>
| CEO leads executive management team in development of corporate sustainability strategy, defining | Sustainability is an integral part of BASF’s strategy and values. This is reflected by our corporate purpose “we create chemistry for a sustainable future”.

*In the past BASF’s CEOs were involved in numerous activities with public recognition to promote UN goals and issues: BASF is a founding member of the UN Global Compact (former CEO Dr. Juergen Strube), a founding member of UN Global Compact LEAD (former CEO Dr. Juergen Hambrecht). In 2012 our CEO Dr. Kurt Bock has been appointed by UN SG Ban Ki-moon as member of the GC Board. Sustainability is an integral part of BASF’s strategy and values. This is reflected by our corporate purpose “we create chemistry for a sustainable future”.*
goals and overseeing implementation.

Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.

References

- CEO statement BASF on the UN Global Compact and Global Compact LEAD

Board Adoption and Oversight

| Blueprint Aspects                          | BASF                                                                 |
|-------------------------------------------|                                                                     |
| Board of Directors (or equivalent**) assumes responsibility and oversight for long term corporate sustainability strategy and performance. | We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF’s central steering committee for sustainable development. It is comprised of heads of our business, corporate and functional units as well as of the regions. A member of the Board of Executive Directors serves as chair. |
| Board establishes, where permissible, a committee or assigns an individual Board | We have also established an external, independent Stakeholder Advisory Council. Its members bring an important external perspective to the table in discussions with BASF’s |
member with responsibility for corporate sustainability.

Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).

Board of Executive Directors, thereby helping us expand our strengths and identify our potential for improvement.

References

BASF Report 2016

- “Sustainability Management“, pp.29-31

Stakeholder Engagement

Blueprint Aspects

Publicly recognize responsibility for the company’s impacts on internal and external stakeholders.

BASF

Our stakeholders include employees, customers, suppliers and shareholders, as well as experts in science, industry, politics, society and media. Parts of our business activities, such as the use of new technologies, are frequently viewed by our stakeholders with critical eye. In order to increase societal acceptance for our business activities, we take on critical questions, assess our business activities in terms of their sustainability, and communicate transparently. Such
Define sustainability strategies, goals and policies in consultation with key stakeholders.

Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.

Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect ‘whistle-blowers’.

dialogs help us to even better evaluate which measures we should pursue to keep people informed on these topics, establish trust, and form partnerships.

To get our stakeholders even more closely involved, the Board of Executive Directors once again met with international experts from science and industry - the Stakeholder Advisory Council – in 2016 to discuss important aspects of sustainability. Topics include further integrating sustainability into our company, as well as our new “Value to Society” approach. This involves evaluating the societal benefits and costs generated by BASF’s business activities.

We have a particular responsibility towards our production sites’ neighbors. With the established community advisory panels, we aim to promote open exchange between citizens and our site management, and strengthen trust in our activities. In 2016, we developed new, globally applicable requirements for community advisory panels at our sites. These minimum requirements are oriented toward the grievance mechanisms outlined in the U.N. Guiding Principles for Business and Human Rights. We keep track of their implementation through the existing global databank of the Responsible Care Management System.
BASF is also actively involved in several local Global Compact networks.

Open dialog with employee representatives is an important component of our corporate culture. If restructuring leads to staff downsizing, we work with employee representatives to develop socially responsible implementation measures. This is done in accordance with the respective legal regulations and the agreements reached. For cross-border matters, the BASF Europa Betriebsrat (European Works Council) has been responsible for employees in Europe since 2008.

Together with employee representatives, we continued to elaborate on the future topics described by the company and works council in the BASF SE 2020 site agreement in 2016. For example, new principles for promoting apprentices were described in BASF SE’s “Apprenticeship of the Future.” We are engaged in close exchange with employee representatives on the topic of changes through increasing digitalization in order to identify and jointly address challenges.

Our voluntary commitment to respecting international labor and social standards is embedded in our global Code of
Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations’ Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). BASF strives to uphold these standards worldwide. In countries where national laws, rules and customs deviate from international standards, we take on the challenge of finding appropriate solutions that respect local customs by engaging in dialog with stakeholders.

We check regard for international labor and social standards using a global monitoring system compromising three instruments:

- External compliance hotlines
- The annual survey of our Group companies
- Close dialog with our stakeholders, such as employee representatives and international organizations

In order to even better inspect compliance with international labor and social standards around the world, we began restructuring our management process in 2015. Step by step, the annual survey of our Group companies will be replaced with a process through which we can more efficiently monitor worldwide adherence to international labor standards based on a globally applicable BASF guideline. The management
process is geared toward internal regulations in compliance and risk management, as well as requirements with respect to the U.N. Guiding Principles on Business and Human Rights.

## References

BASF Report 2016

- "Sustainability management“, pp. 29
- “Working at BASF“, pp. 40-45

## Transparency and Disclosure

### Blueprint Aspects

Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.

Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the

### BASF

BASF publishes an integrated annual report and provides even more information on sustainability on its homepage [www.basf.com](http://www.basf.com).

As a member of the UN Global Compact LEAD, we report in accordance with the Blueprint for Corporate Sustainability Leadership.

The GRI and Global Compact Index for the BASF Report 2016 can be found in the online report, providing information on GRI indicators, topics relevant to the Global Compact principles, and the auditor’s report of KPMG AG Wirtschaftsprüfungsgesellschaft.
Global Reporting Initiative framework.

Integrate Communication on Progress into annual financial report or publish them together.

Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.

Our reporting is audited by a third party. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the BASF Group Consolidated Financial Statements and the Management’s Report and has approved them free of qualification. Statements and figures pertaining to sustainability in the Management’s Report and Consolidated Financial Statements are also audited. The audit was conducted using the International Standard of Assurance Engagements 3000 and the International Standard of Assurance Engagements 3410, the relevant auditing standards for sustainability reporting.

References

BASF Report 2016

- “Compliance”, pp. 132-134
- “About This Report”, pp. 2-4