

# Limited Assurance Report of the Independent Auditor regarding the non-financial statement<sup>1</sup>

To the Supervisory Board of BASF SE, Ludwigshafen am Rhein

We have performed an independent limited assurance engagement on the non-financial statement, including the management report section "Corporate structure" that is qualified as a part of it by reference, of BASF SE, Ludwigshafen am Rhein (further "Company" or „BASF“) according to §§ 289b to 289e of the German Commercial Code (HGB) for the period from January 1 to December 31, 2021 (further "Report").

As described in the section "Supplier Management", BASF engaged the external provider EcoVadis to perform audits on suppliers to ensure compliance with environmental, social, and corporate governance standards of the "Together for Sustainability" (TfS) initiative. The adequacy and accuracy of the conclusions from these external assessments were not part of our limited assurance engagement.

## **Management's Responsibility**

The legal representatives of BASF are responsible for the preparation of the Report in accordance with §§ 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the Report that is free of – intended or unintended – material misstatements.

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<sup>1</sup> Our engagement applied to the German version of the non-financial statement 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

## Practitioner's Responsibility

It is our responsibility to express a conclusion on the Report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the International Standard on Assurance Engagements (ISAE) 3410: "Assurance Engagements on Greenhouse Gas Statements" published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Report of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 289b to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others, the following procedures:

- Inquiries of personnel who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries of BASF.
- A risk analysis, including a media research, to identify relevant information on BASF sustainability performance in the reporting period.
- Review of the suitability of internally developed Reporting Criteria for the quantitative disclosures.
- Evaluation of the design and implementation of the systems and processes for the collection, processing and monitoring of disclosures on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including data consolidation.
- Inquiries of personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, the conduction of internal controls and consolidation of the disclosures.
- Evaluation of selected internal and external documents.
- Analytical evaluation of data and trends of quantitative disclosures which are reported by all sites and departments.

- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey at the site Ludwigshafen am Rhein (Germany).
- Reconciliation of disclosures in the non-financial statement with the financial statement and management report.
- Assessment of the overall presentation of the disclosures in the non-financial statement.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

### **Independence and Quality Assurance on the Part of the Auditing Firm**

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

### **Conclusion**

Based on the procedures performed and the evidence obtained for the limited assurance, nothing has come to our attention that causes us to believe that the non-financial statement of BASF SE for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 289b to 289e HGB.

### **Restriction of Use/Clause on General Engagement Terms**

This assurance report is issued for purposes of the Supervisory Board of BASF SE, Ludwigshafen am Rhein, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of BASF SE, Ludwigshafen am Rhein, and professional liability as described above is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/bescheinigungen/lib/aab\\_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this assurance report, each recipient confirms notice of provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, February 22, 2022

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

Glöckner  
Wirtschaftsprüfer  
[German Public Auditor]

ppa. Meldau

### **Attachments**

Non-financial statement for the period from January 1 to December 31, 2021	Attachment 1
General Engagement Terms	Attachment 2

# Attachments



Attachment 1  
Non-financial statement  
for the period from  
January 1 to  
December 31, 2021





# Management's Report of BASF SE<sup>1</sup>

## Corporate structure

As the publicly listed parent company in the BASF Group, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also one of the largest operating companies. The Board of Executive Directors of BASF SE manages the BASF Group.

## Organization of the BASF Group

We have 11 divisions grouped into six segments:

- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Resins, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

The divisions bear strategic and operational responsibility here and are organized according to sectors or products. They manage the 50 global and regional business units and develop strategies for 75 strategic business units. BASF has companies in 90 countries. The BASF Group operates six Verbund sites and 232 additional production sites worldwide.

The operating business of BASF SE represents a portion of the BASF Group's global business and is managed by the respective divisions and business units based on the performance indicators of the BASF Group. The cornerstones of the BASF organization are the operating divisions, the service units, the regions and the Corporate Center. Five service units provide services for the operating divisions and sites in the areas of finance, human resources, environmental protection, health and safety, intellectual property, communications, procurement, supply chain and inhouse consulting. The Corporate Center support the Board of Executive Directors in steering the company as a whole. These include central tasks from the areas of strategy, finance and controlling, law and compliance, tax, environmental protection, health and safety, human resources, communications, investor relations and internal audit.

Ten of the 11 operating divisions have production plants at the BASF SE site in Ludwigshafen, Germany. This underscores the importance of this Verbund site for the BASF Group. From Ludwigshafen, BASF SE supplies products and services to around 8,000 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

Our over 9,000 suppliers also come from many different sectors. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Some of the most important raw materials are naphtha, natural gas, methanol, benzene and sodium chloride.

BASF SE had 34,405 employees on December 31, 2021, of which 4,093 in research and development.

BASF holds one of the top three market positions in around 80% of the business areas in which it is active.<sup>2</sup> Our most important global competitors include Arkema, Bayer, Clariant, Corteva, Covestro, Dow, Dupont, DSM, Evonik, Huntsman, Lanxess, SABIC, Sinopec, Solvay, Sumitomo Chemical, Syngenta, Wanhua and many hundreds of local and regional competitors.

A complete overview of BASF SE's operating business is provided by the Consolidated Financial Statements of the BASF Group. To assess the operations of BASF SE, a distinction must be made between sales and income from operations from BASF SE's own production and from the sale of products of other BASF Group companies. In addition, due to its Group management function, central tasks that also have an effect on income from operations are allocated to BASF SE.

BASF SE's most important financial key performance indicators are sales and income from operations. BASF SE's function as the parent company of the BASF Group is primarily reflected in the financial result.

## Accounting principles

The Financial Statements of BASF SE are prepared in accordance with the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and the applicable regulations for public limited-liability companies in the Member State in which it has its registered office, i.e., in accordance with the accounting regulations for the fiscal year ending December 31, 2021, in particular the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The Consolidated Financial Statements of the BASF Group, however, take into account the Financial Statements of BASF SE, which are prepared in accordance with International Financial Reporting Standards (IFRS).

<sup>1</sup> Links and additional content on BASF's websites referenced in this report are not part of the information audited by KPMG.  
<sup>2</sup> The content of this section is voluntary, unaudited information, which was critically read by the auditor.

## Nonfinancial statement (NFS) in accordance with sections 289b to 289e of the German Commercial Code (HGB)

The nonfinancial statement in accordance with sections 289b to 289e HGB can be found on pages 7 to 39 and are a part of the Management's Report. Within the scope of the audit of the annual financial statements, KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a limited assurance of the NFS. An assurance statement of the limited assurance can be found online at [basf.com/nfs-audit-2021/basf-se](https://basf.com/nfs-audit-2021/basf-se). The audit was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international auditing standards for sustainability reporting.

## Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)

The Corporate Governance Statement in accordance with section 289f HGB, printed on pages 50 to 60 (Corporate Governance Report, Compliance, Declaration of Conformity), is an element of the Management's Report. The audit of the disclosures required by section 289f(2) and (5) HGB pursuant to section 317(2) sentence 6 HGB is limited to whether the disclosures have been made.

## Compensation Report

The Compensation Report is no longer a component of the Management's Report. The Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) and the assurance statement of the substantive and formal audit issued by the auditor have been made publicly available on the BASF website at [basf.com/compensationreport](https://basf.com/compensationreport).

## Economic Environment<sup>1</sup>

The global economy recovered more quickly in 2021 from the previous year's severe slump in economic activity than had been expected at the beginning of the year. Many governments' aid programs and rising vaccination rates were key contributing factors to the recovery. Nevertheless, the economic upturn was repeatedly hampered by measures to contain the pandemic and supply chain disruptions. Global gross domestic product (GDP) grew by 5.8% year on year (2020: -3.4%). Industrial production expanded by 6.5% (2020: -3.0%). Global chemical production grew by 6.1% (2020: -0.1%). The average price for a barrel of Brent crude oil increased to \$71 per barrel (2020: \$42 per barrel).

Global industrial production grew by 6.5% in 2021 (2020: -3.0%). The advanced economies saw somewhat lower growth of 5.3% overall than the emerging markets, which saw a rise of 7.4%. The largest contribution to global industrial production growth came from China (2021: +8.4%; 2020: +3.7%). Around 30% of global industrial value creation and almost 40% of its growth were generated there. In total, over 50% of global industrial growth came from Asia. The region's production expanded by 7.5% in 2021 (2020: -0.1%).

In the E.U., industrial production also increased significantly by 6.6% (2020: -7.1%). After the sharp decline in the previous year, the United Kingdom saw growth of 8.3% (2020: -10.4%). By contrast, North America's industrial growth was below average at 5.0% (2020: -4.8%). South America recorded an increase just above the global average (2021: 7.0%; 2020: -6.5%).

Global growth in the chemical industry was 6.1% in 2021, almost as high as growth for the industry as a whole, despite only a minimal decline in chemical production in the previous year unlike in many other industries. While the stronger performance in the previous year had mainly been due to extraordinary pandemic-related demand for disinfectants, cleaning agents and single-use plastics, as well as to the early recovery in China, in 2021, the global upswing in many consumer goods industries contributed to growth.

Chemical production in China, the world's largest chemical market, saw especially strong expansion (+7.7%). However, growth slowed at a high level during the course of the year. Electricity cuts had a negative effect on production, particularly in the third and fourth quarters. Growth in other emerging markets of Asia was also high at around 6.9%.

Chemical production growth in the European Union was also extraordinarily high at 6.0%. A contributing factor was the low basis in the previous year (2020: -2.1%). In addition, the European chemical industry benefited from the fact that availability of global production capacities for basic chemicals was intermittently limited. The Middle East (+6.2%) also recorded solid production growth.

By contrast, significant petrochemical capacities were temporarily unavailable in the United States, in particular. After the cold spell in the first quarter, production on the U.S. Gulf Coast was negatively impacted by hurricanes Ida and Nicholas as well. In total, production in the United States thus only grew by 1.8% in 2021. Chemical production in South America increased by 4.6%.

<sup>1</sup> All information relating to past years in this section can deviate from the previous year's report due to statistic revisions. Where available, macroeconomic growth rates are adjusted for calendar effects. Figures for 2021 not yet available in full are estimated.

## Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB)

The nonfinancial statement (NFS) of BASF SE in the following is based on the requirements of sections 289b to 289e HGB. One of these requirements is to provide a brief description of BASF SE's business model. Others relate to specific disclosures on nonfinancial matters – environmental matters,

employee-related matters, social matters, respect for human rights as well as anti-corruption and bribery matters – to the extent that they are required to understand the development and performance of the business, BASF SE's position and the impact of business development on these matters.

### Business model

BASF SE's business model is presented under "Corporate structure" on page 1 of this Management's Report.

### E.U. Taxonomy

E.U. taxonomy disclosures in accordance with the E.U. Taxonomy Regulation and the supplementary delegated acts are presented in the consolidated nonfinancial statement in the Management's Report for the BASF Group.

## Our Sustainability Concept

**We implement our corporate purpose – We create chemistry for a sustainable future – by systematically incorporating sustainability into our strategy, our business, and into our assessment, steering and compensation systems. We secure our long-term success with products, solutions and technologies that create value added for the environment, society and the economy.**

### Our strategic approach

Sustainability is at the core of what we do and a driver for growth and value. Analyzing our contributions to sustainability also enables us to manage risks effectively. We pursue a holistic sustainability approach that covers the entire value chain – from our suppliers and our own activities to our customers. We have formulated commitments for our conduct along the value chain and underpinned these with corresponding targets and measures.

Based on our corporate strategy and the global targets derived from this, we steer the sustainability targets (reduce absolute CO<sub>2</sub> emissions<sup>1</sup> by 25% by 2030 compared with baseline 2018 and achieve €22 billion in Accelerator<sup>2</sup> sales by 2025) as most important key performance indicators. To this end, we have established the necessary steering mechanisms and control systems at Group level. Our global activities to reduce greenhouse gas emissions include using renewable energies for both electricity and steam production, developing and applying new low-carbon production processes, using renewable raw materials, and ongoing measures to further increase energy and resource efficiency in our production (see page 24). We use the Sustainable Solution Steering method to improve the sustainability contributions of our product portfolio along the value chain (see page 32). To assess the sustainability performance of our products and identify solutions with a substantial sustainability contribution in the value chain, we regularly reassess our product portfolio. We already reached our 2025 sales target for Accelerator products in 2021. Consequently, we will update our product portfolio steering target over the course of 2022.

In addition to the climate protection and Accelerator sales targets, we have set ourselves further sustainability goals. A particular focus is the circular economy due to its strong connection to climate protection. We have defined further targets on water management, responsible procurement, engaged employees, women in leadership positions, occupational health and safety, and process safety.

We have also set up a project organization to achieve our climate protection targets. The new Net Zero Accelerator unit concentrates on implementing and accelerating projects on low-carbon production technologies, the circular economy and renewable energies.

As a co-founder of the U.N. Global Compact and a recognized LEAD company, we contribute to the implementation of the United Nations' Agenda 2030. Our products, solutions and technologies help to achieve the U.N. Sustainable Development Goals (SDGs),

especially SDG 2 (Zero hunger), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). To prioritize these, internal experts assessed the impacts and positive contributions of our products, our corporate targets and strategic action areas. The Value to Society method is used to measure the contribution of our activities along the value chain. This assesses our positive and negative impacts on the environment, society and the economy (see page 9).

We identify key sustainability topics with our comprehensive materiality analysis. Here, we take into account topics that we have an impact on, topics that have an impact on us, and topics that our stakeholders consider important to us. The topics identified based on these three dimensions of materiality are: climate and energy, health and safety / product stewardship, water, emissions to air and soil, resource efficiency and waste, biodiversity, human rights, employment and diversity.

### Our organizational and management structures

We are constantly working to broaden our contributions to key sustainability topics and reduce the negative impact of our business activities. Together with decentrally organized specialists, the Corporate Strategy & Sustainability unit in the Corporate Center is responsible for integrating sustainability into core business activities and decision-making processes. This unit's tasks include the global steering of climate-related matters.

The new Net Zero Accelerator project organization has reported directly to the Chairman of the Board of Executive Directors since January 2022. It focuses on the further acceleration and implementation of existing and new projects to achieve CO<sub>2</sub> reduction targets at company level worldwide and drives them forward.

The Board of Executive Directors and the Supervisory Board are regularly briefed on the current status of individual sustainability topics. The Board of Executive Directors incorporates the results and recommendations from sustainability evaluations of business processes into its decisions, for example, on proposed investments and acquisitions. It makes decisions with strategic relevance for the Group and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of heads of business and Corporate Center units and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.

We systematically evaluate sustainability criteria, including the effects of climate change, as an integral part of decisions on acquisitions and investments in property, plant and equipment or financial assets. In this way, we not only assess economic dimensions, but also the potential impacts on areas such as the environment, human

<sup>1</sup> The target includes Scope 1 and Scope 2 emissions. Other greenhouse gases are converted into CO<sub>2</sub> equivalents in accordance with the Greenhouse Gas Protocol. In March 2021, the previous target of CO<sub>2</sub>-neutral growth until 2030 (baseline 2018: 21.9 million metric tons of CO<sub>2</sub>e) was replaced with a new, more ambitious climate protection target to reduce absolute CO<sub>2</sub> emissions by 25% compared with 2018 (new target: 16.4 million metric tons of CO<sub>2</sub>e).

<sup>2</sup> Accelerator products make a substantial sustainability contribution in the value chain.

rights or the local community. We evaluate both the potential impacts of our activities here as well as which effects we are exposed to.

In 2018, we established our Sustainable Finance Roundtable, which discusses topics related to sustainable finance. Here, experts from departments such as Finance, Corporate Strategy, Investor Relations and Communications discuss upcoming new legal requirements. The interdisciplinary group analyzes the steadily growing requirements, assesses the impact on BASF and drives forward the necessary change processes as well as the concrete implementation of measures. In a U.N. Global Compact task force, we are developing recommendations on how the SDGs should be considered in financial decisions and in interactions with investors.

 For more information on our risk management, see page 40 onward

 For more information on our financial and sustainability targets, see [basf.com/strategy](https://basf.com/strategy)

For more information on our material topics, see [basf.com/materiality](https://basf.com/materiality)

For more information on the organization of our sustainability management, see [basf.com/sustainabilitymanagement](https://basf.com/sustainabilitymanagement)

## Global standards

Our standards fulfill or exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:

- The 10 principles of the U.N. Global Compact
- The Universal Declaration of Human Rights and the two U.N. Human Rights Covenants
- The core labor standards of the ILO and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration)
- The OECD Guidelines for Multinational Enterprises
- The Responsible Care® Global Charter
- The German Corporate Governance Code

Our nonfinancial reporting is based on Global Reporting Initiative (GRI) standards.

## Measuring sustainable value added

We are aware that our business activities can have both positive and negative impacts on the environment and society. We aim to increase our positive contributions and minimize the negative impacts of our business activities. To achieve this, we need to understand how our actions and our products impact society and the environment.

We already have many years of experience in this area from evaluating our products and processes using methods such as Eco-Efficiency Analyses, the SEEbalance® Socio-Eco-Efficiency Analysis, our Sustainable Solution Steering portfolio analysis, BASF's corporate carbon footprint or the calculation of Product Carbon Footprints.

We want to holistically capture the value we contribute to society along the value chain and make this transparent. However, there are still no uniform, global standards for measuring and reporting on companies' overall impact that cover economic, environmental and social aspects of business activities along the value chain. This is why we developed the Value to Society method in 2013 together with external experts. We can use this methodological approach to compare the significance of financial and sustainability-related impacts of our business activities on society and show their interdependencies. The results illustrate the positive contributions and negative effects, both at BASF and in our value chains. Positive factors include taxes paid, wages, social benefits, employee training and our net income.<sup>1</sup> Negative contributions include environmental impacts such as carbon emissions, land use and emissions to air, soil and water, as well as health and safety incidents. The positive impacts of our economic activities declined in 2020,<sup>2</sup> primarily due to the economic conditions caused by the coronavirus pandemic, which led to lower economic value added. In addition, higher water consumption and increased land use in supplier and customer industries had a greater impact on the environment.

Overall, the Value to Society method helps us to continually monitor our progress. It complements existing concepts for assessing risks and business opportunities by providing a macro perspective and enables us to derive the necessary business steps.

We are a founding member of the value balancing alliance e.V. (VBA) and have contributed our knowledge and experience to this cross-industry initiative. We support the development of an accounting and reporting standard that makes the value companies provide to society transparent and comparable. The aim is to present the financial, ecological, and social impacts of business activities on the basis of a standardized framework. The VBA is supported by major auditing firms, the Organisation for Economic Co-operation and Development (OECD), leading universities and other partners. Together with the OECD and the Business for Inclusive Growth (B4IG) coalition, we are pushing to further expand the social indicators. Here, BASF leads the Impact Measurement working group together with partners. Through the VBA, we are involved in the E.U.'s Platform on Sustainable Finance. Together with the VBA and other partners, we supported the establishment of the International Sustainability Standard Board (ISSB), are involved in the work of the World Economic Forum (WEF) and are part of the G7 Impact Taskforce. Our Corporate Finance unit is also involved in the work of the European Financial Reporting Advisory Group's (EFRAG) Project Task Force on European sustainability reporting standards.

The method developed by the VBA was enhanced and refined on the basis of feedback from the scientific community and member companies. Amendments include the addition of two social indicators and the calculation of downstream impacts, as well as revisions to financial indicators, for example. This enhanced method will again

<sup>1</sup> The net income of BASF's production presented in the Value to Society is calculated using the BASF Group's net income, adjusted for the interest result, the other financial result and noncontrolling interests.

<sup>2</sup> Value to Society results are calculated annually following the publication of the BASF Report. Accordingly, the statements on this in the BASF Report 2021 refer to the evaluation conducted for the 2020 business year.

be piloted by all member companies and the results will be fed back to the VBA for further development.

For more information on this method and the results of Value to Society, see [basf.com/en/value-to-society](https://basf.com/en/value-to-society)

For more information on our sustainability tools, see [basf.com/en/measurement-methods](https://basf.com/en/measurement-methods)

For more information on value balancing alliance e.V., see [value-balancing.com](https://value-balancing.com)

## Our stakeholder management

Our stakeholders include customers, employees, investors, suppliers, the communities surrounding our sites, and representatives from industry, academia, politics and society. Parts of our business activities, such as the use of certain new technologies or our environmental impacts, are often viewed by stakeholders with a critical eye. We take these questions seriously, initiate dialogs and participate in discussions. Such ongoing exchange with our stakeholders helps us to even better understand what matters to groups of society, what they expect of us and which measures we need to pursue in order to establish and maintain trust, build partnerships, and increase societal acceptance for and the sustainability of our business activities. In doing so, we want to harness potential for mutual value creation and strengthen societal acceptance of our business activities. For important topics, we systematically identify key stakeholders at an early stage to discuss critical questions with them. Relevant considerations here include their topic-specific expertise and willingness to engage in constructive dialog.

We established an external, independent Stakeholder Advisory Council (SAC) in 2013 and the Human Rights Advisory Council (HRAC) in 2020. In the SAC, which is led by the Chairman of the Board of Executive Directors, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors. The HRAC is an advisory body comprising external human rights specialists and internal experts. This helps us to critically reflect on our positions and address potential for improvement.

Our political advocacy is conducted in accordance with transparent guidelines and our publicly stated positions. The same applies to our activities in associations. For instance, we again published an Industry Associations Review in 2021 comparing the energy and climate protection positions of BASF and the most important associations of which we are a member, with explanations on our approach.

BASF does not financially support political parties, for example through donations in cash or in kind. This is codified in a global guideline. In the United States, employees at BASF Corporation have exercised their right to establish a Political Action Committee (PAC). The BASF Corporation Employee PAC is an independent, federally registered employee association founded in 1998. It collects donations from employees for political purposes and independently decides how these are used, in accordance with U.S. law.

We have a particular responsibility toward our production sites' neighbors. With the established community advisory panels, we promote open exchange between residents and our site management and strengthen trust in our activities. Our globally binding requirements for community advisory panels are based on the grievance mechanism standards in the United Nations' Guiding Principles on Business and Human Rights. We keep track of their implementation through the existing global database of the Responsible Care Management System.

For more information on our guidelines for responsible lobbying, see [basf.com/guidelines\\_political\\_communication](https://basf.com/guidelines_political_communication)

For more information on the Industry Associations Review, see [basf.com/corporategovernance](https://basf.com/corporategovernance)

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

For more information on the Stakeholder Advisory Council, see [basf.com/en/stakeholder-advisory-council](https://basf.com/en/stakeholder-advisory-council)

## Responsibility for Human Rights

BASF acknowledges its responsibility to respect internationally recognized human rights. For many years now, we have engaged in constructive dialog on human rights with other companies, non-governmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI), a group of globally operating companies from various sectors. The initiative aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights.

We see human rights due diligence as an important, all-encompassing task that we can only perform by working together as a team throughout the entire organization. That is why we have embedded our responsibility for human rights into our Code of Conduct and set this out in our human rights position. We uphold our standards worldwide, including where they exceed local legal requirements. All employees and leaders are responsible for ensuring that we act in accordance with our Code of Conduct and our human rights position.

We rely on a systematic, integrated, risk-based approach and established monitoring and management systems. BASF is also active in initiatives such as Together for Sustainability (TfS) and Responsible Care®, which promote sustainability in the supply chain (see page 13). Our measures and criteria for monitoring and observing human rights are integrated into supplier assessment processes and our global monitoring systems for environmental protection, safety and security, health protection and product stewardship. They are also part of the evaluation of investment, acquisition and divestiture projects, assessments along the entire product life cycle, and systems to monitor labor and social standards. In addition, aspects of human rights topics are part of the global qualification requirements for our security personnel and are incorporated into agreements with contractors.



Our compliance unit is responsible for steering human rights topics and coordinates the work of the cross-unit Human Rights Expert Working Group, which we established in 2020. In it, employees from specialist units – procurement, legal, HR, environmental protection, health and safety, sustainability strategy, site security, supply chain, communications and government relations – and the operating divisions work closely together. The expert working group provides support and advice in challenging and critical situations, on the development of internal processes, and on the creation of information and training offerings, among other things. This is how we ensure that we approach our human rights responsibility holistically and that we can continually improve our performance.

In 2020, we conducted a comprehensive review of our human rights management system and the related processes. This showed that we have achieved important milestones regarding our due diligence obligations. However, the analysis, which was discussed by the Board of Executive Directors, also identified potential for improvement, for example with regard to awareness of human rights topics within our organization and relating to the integration of these topics in our guidelines and processes.

We therefore launched a global, internal campaign in April 2021 to raise awareness on the topic of human rights. Externally, we were involved in the U.N.'s International Year for the Elimination of Child Labour through two initiatives and together with other partners, and committed to specific joint measures in the fight against child labor. Together with other DAX-listed companies, we also participated in the study "Moving with responsibility toward success: practical implementation of human rights due diligence in 10 companies" commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the German Agency for International Cooperation (GIZ).

We strengthened awareness of our due diligence obligations in procurement by including additional information on human rights topics in training. In addition, the human rights risk assessment is more systematically incorporated into strategy development in our procurement segments (see page 13).

We also further improved our grievance mechanisms and introduced a standardized global external and internal hotline and reporting system in 2021. For example, we expanded the number of languages available. A new website provides information about the hotline and the grievance procedure, and now also offers the option of contacting the company anonymously online in addition to local telephone numbers. Employees can also contact specialists directly via an internal online platform or the corresponding app. The processing status of a submitted report can be tracked anonymously. Moreover, submitted cases will be able to be recorded and evaluated more systematically in the future (see page 58). In 2021, 206 human rights-related complaints were received by phone as well as by post and e-mail. All complaints were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken.

We see assuming our human rights responsibilities as a continuous process. That is why we continuously review our policies and processes and update them whenever necessary. We are currently examining further development measures in various working groups against the backdrop of new regulations such as the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the forthcoming E.U. legislation on due diligence in the supply chain.

We established a Human Rights Advisory Council in 2020 to systematically integrate external expertise. Its members include independent international human rights experts. The trust-based dialog on human rights topics helps us to better understand different perspectives and to deal more openly with critical situations. At the same time, the renowned external experts show us where we have potential for improvement and help us to build on our strengths in how we handle human rights. The meetings, which are chaired by our Chief Compliance Officer, are also attended by employees from the sustainability strategy and compliance units. Other representatives, for example, from the operating divisions or procurement, are invited depending on the focus topics. In this way, the Human Rights Advisory Council provides an external perspective on establishing and improving our processes, and contributes this in discussions with the leadership team.

We maintained our dialog with the Human Rights Advisory Council throughout 2021, both with the body as a whole and in small groups, and with individual experts. The topics discussed included responsible supply chain management, for example in challenging supplier relationships or in high-risk regions. Our contribution to the responsible use of our solutions and products was also discussed.

In 2021, we stepped up our commitment to action areas with increased risk potential, such as battery materials. Where conflict minerals (tin, tantalum, tungsten, their ores and gold) are used, we pay attention to the implementation of the relevant E.U. regulation in our supply and value chains. We also set store on certified sustainable supply chains and fair working conditions in the procurement of raw materials such as palm oil, palm kernel oil and castor oil. We maintain dialog with national and international NGOs and are involved in numerous networks and partnerships. These include the Cobalt for Development initiative in the Democratic Republic of Congo, the Responsible Lithium Partnership in Chile, the Global Battery Alliance and the Roundtable on Sustainable Palm Oil (RSPO).

As an international company, we are a part of society in the countries in which we operate and have business relationships with partners around the world. We are confronted by the fact that there are states that do not honor their obligation to protect human rights. People are particularly at risk in such countries and companies' ability to act is often limited. We are committed to our values – including and especially there – and contribute to the respect of human rights.

We have trustful working relationships with our partners (customers, suppliers, joint venture partners, contractors), expect them to comply with internationally recognized human rights standards and to

demand the same of their partners further along the value chain. We support our partners in their efforts to meet their respective responsibilities.

We can only meet our goal of eradicating human rights abuses along our value chains if we work together. We have defined our expectations in a binding Supplier Code of Conduct. We are in close contact with our business partners, especially in higher-risk areas and regions, and monitor the implementation of required standards and measures for improvement. We use recognized assessments and audits to verify this.

We report on our global targets, monitoring systems and measures to integrate human rights topics into our business activities in publications such as this report and online.

🔗 For more information on standards in our supply chain, see page 13 onward

For more information on raw materials, see page 15

For more information on our production standards, see page 17 onward

For more information on systems for monitoring labor and social standards, see page 39

For more information on corporate governance and compliance, see page 50 onward

📄 See [basf.com/humanrights](https://basf.com/humanrights) for more information on the human rights position and a comprehensive report on the implementation of due diligence in human rights in accordance with the requirements of the National Action Plan developed by the German government, and in accordance with the U.N. Guiding Principles on Business and Human Rights

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

## Our societal engagement approach

Through our societal engagement, we want to help disadvantaged groups tackle their specific challenges – whether through initiatives in our immediate communities or around the world in cooperation with global organizations. We want to foster societal cohesion by supporting and protecting health, skills and resources. We support projects that aim to have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and BASF (see page 30).

In this way, societal engagement is an important part of the implementation of our sustainability strategy and our corporate social responsibility. Our societal engagement policy provides the guardrails for our activities in this area. It stipulates that all engagement measures worldwide must be conducted in line with our compliance policy, BASF's strategy and our sustainability commitments.

📄 For more information on our societal engagement around the world, see [basf.com/en/engagement](https://basf.com/en/engagement)



## Supplier Management

**BASF sources a wide range of raw materials, precursors, technical goods and services. Our suppliers are an important part of our value chain. Our objective is to secure competitive advantages through our professional procurement structures, to establish stable and reliable supply chains, and at the same time, meet high ethical and environmental standards. Together with our suppliers, we want to improve sustainability in the supply chain and minimize risks.**

### Strategy

Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, precursors, technical goods and services at competitive prices.<sup>1</sup> In doing so, we want to generate long-term benefits for both sides. Our sustainability-oriented supply chain management is an integral part of our risk management. We have defined our standards and processes in a global guideline. We are continually refining and optimizing this to respond to changes in the regulatory environment and new requirements resulting, for example, from new laws and initiatives at national and international level. Procurement management systems such as guidelines and targets are set centrally and are binding for all employees with procurement responsibility worldwide.

Our risk-based approach aims to identify and evaluate sustainability matters in our value chains as best possible to improve sustainability together with our suppliers. We regularly review and document progress based on the risk level. Employees with procurement responsibility receive ongoing training in sustainability-oriented supplier management and responsible procurement. In 2021, 250 BASF employees received such training.

Our expectations of our suppliers are laid down in the global Supplier Code of Conduct. This creates clarity around the standards to be met. We count on reliable supplier relationships and support our suppliers in implementing our requirements. In 2021, we also launched the Supplier CO<sub>2</sub> Management Program. With this program, we want to systematically gather data on upstream Scope 3 emissions to identify medium-term measures for optimization. We make our suppliers' contribution to sustainable development transparent for us and for our stakeholders.

 For more information on suppliers, see [basf.com/suppliers](https://basf.com/suppliers)

### Global targets

We actively promote sustainability in the supply chain and have set ourselves ambitious targets for this: By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend<sup>2</sup> and will develop action plans where improvement is necessary. In addition, we aim to have 80% of suppliers improve

their sustainability performance upon re-evaluation by 2025. In 2021, 85% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2021, 74% had improved. Both global targets are embedded in the target agreements of persons responsible for procurement.

### Worldwide procurement

BASF SE's more than 9,000 suppliers make an important contribution to our value creation. We work in long-term partnership with companies from different industries around the world. They supply us with raw materials, precursors, investment goods and consumables, perform a range of services and are innovation partners.

BASF SE acquired raw materials, goods and services for our own production worth approximately €9 billion in 2021. There were no substantial changes to our supplier structure.

### What we expect from our suppliers

Together with our suppliers, we want to improve sustainability in the supply chain. Consequently, we expect our suppliers to comply with the applicable laws in full and to adhere to internationally recognized environmental, social and corporate governance (ESG) standards. We also expect our suppliers to make an effort to enforce these standards at their suppliers.

In addition, we ask our suppliers to acknowledge, support and abide by our Supplier Code of Conduct – or to demonstrate and ensure their commitment to the principles specified in the Code of Conduct, for example in their own code of conduct.

Our global Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care initiative. Topics covered by the Code of Conduct include compliance with human rights, the exclusion of child and forced labor, safeguarding labor and social standards, antidiscrimination and anticorruption policies, and protecting the environment. The Code of Conduct is available in the most relevant languages for our suppliers and is integrated into electronic ordering systems and purchasing conditions across the Group. We revised our Supplier Code of Conduct in 2021 and added our expectations around the procurement of conflict minerals (tin, tantalum, tungsten, their ores and gold). In 2021, around 5,900 new suppliers committed to our Code of Conduct Group-wide.

<sup>1</sup> BASF considers all direct suppliers of BASF SE in the business year concerned as Tier 1 suppliers. These are suppliers that provide us with raw materials, investment goods, consumables and services. Suppliers can be natural persons, companies or legal persons under public law.

<sup>2</sup> We understand relevant spend as procurement volumes with relevant suppliers. We define relevant suppliers as Tier 1 suppliers showing an elevated sustainability risk potential as identified by our risk matrices, our purchasers' assessments or other sources.

BASF conducts audits and assessments to ensure that suppliers comply with the applicable laws, rules and standards. BASF reserves the right to discontinue business relationships for non-adherence to international principles. The same applies to failure to correct violations, or for displaying patterns of non-compliance with these standards. Our Code of Conduct expressly points out that potential violations of laws, rules or standards can be reported – including anonymously – to our compliance hotlines. Each case is documented and investigated, and appropriate measures are taken as necessary.

For more information on the Supplier Code of Conduct, see [basf.com/suppliers](https://basf.com/suppliers)

### Selection and evaluation of our suppliers

New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also ESG standards. As such, selection, evaluation and auditing is an important part of our sustainable supply chain management. Processes and responsibilities are defined in a global guideline. Due to the large number of suppliers, they are evaluated based on risk. We take into account the materiality of the supply relationship and country and industry-specific risks. We also use observations from our employees in procurement and information from internal and external databases, such as Together for Sustainability (TfS) assessments.

We have suppliers with a high potential sustainability risk evaluated by third parties, either through sustainability evaluations or on-site audits. The list of suppliers to be assessed is updated every year. Sustainability evaluations and on-site audits are mainly conducted according to the TfS framework. A total of 86 raw material supplier sites were audited on sustainability standards on our behalf in 2021. We received sustainability evaluations for 701 suppliers. We also take into account other certification systems and external audits, such as from the Roundtable on Sustainable Palm Oil, when assessing our suppliers. Depending on business requirements, we additionally conduct our own Responsible Care audits at selected suppliers (see page 16).

For more information on Together for Sustainability, see [basf.com/en/together-for-sustainability](https://basf.com/en/together-for-sustainability)

### Audit results

We carefully analyze the results of our assessments and document them in a central database. The on-site supplier audits conducted over the past few years have identified some need for adjustment with respect to environmental, social and corporate governance standards, for example in waste management or deviations in occupational health and safety measures and standards under labor law. Follow-up audits in 2021 identified improvements, for example, a reduction in health and safety risks following the implementation of appropriate measures and compliance with labor law requirements. In 2021, none of our audits identified any instances of child labor or dangerous work and overtime performed by persons under 18.

### Supplier development

We use TfS evaluations to pursue a risk-based approach with clearly defined, BASF-specific follow-up processes. If we identify deviations from standards, we ask suppliers to develop and implement corrective measures within a reasonable time frame. We support them in their efforts, for example by training employees from 31 suppliers in China on ESG topics in 2021 as part of a partnership with the East China University of Science and Technology. In South America, around 190 suppliers took part in a diversity talk on gender equality in the supply chain, and around 340 suppliers attended a webinar on ethical principles, legislation and human rights in the supply chain.

As part of TfS, training was also developed for suppliers undergoing a sustainability evaluation for the first time and for suppliers that already have a sustainability rating but have potential for improvement in ESG performance. In 2021, more than 1,800 participants attended online TfS training on this topic in different languages. TfS is also developing a global learning platform for buyers and suppliers, which will provide various (online) training opportunities on specific sustainability topics. It is scheduled for launch in 2022.

We review our suppliers' progress according to a defined timeframe based on the sustainability risk identified, or after five years at the latest. In the case of ongoing, serious violations of the standards defined in our Supplier Code of Conduct or international principles, we reserve the right to impose commercial sanctions. These can go as far as termination of the business relationship. In 2021, this happened in three cases.

## Raw Materials

**Using resources as efficiently and responsibly as possible and the concept of the circular economy are firmly embedded in our strategy and our actions, for example, by our Verbund structure and the increased use of renewable and recycled feedstocks. We expect our suppliers to source and produce raw materials responsibly.**

### Strategy

Our strategy covers the entire value chain – from responsible procurement and the efficient use and recycling of raw materials in our processes to developing resource-saving solutions for our customers. We want to decouple growth from resource consumption with process and product innovations to accelerate the shift toward closed-loop value creation systems. Alongside economic, environmental and social criteria, we also consider aspects such as product safety and supply security when selecting suppliers and raw materials.

Our expectations of our suppliers are laid down in our Supplier Code of Conduct (see page 13). We take a closer look at suppliers in critical supply chains, for example mineral raw materials, renewable resources such as palm kernel oil, a number of pigments and highly toxic substances. Upstream stages of the value chain are assessed for serious sustainability risks and, if necessary, suitable remedial measures are identified. In addition, we develop and test approaches to make the supply of raw materials more sustainable in joint initiatives with suppliers and other partners. Examples include our cooperative ventures and investments to recycle batteries and our joint activities on certified sustainable supply chains for renewable raw materials such as palm, palm kernel and castor oil.

BASF's Verbund concept is key to making the use of raw materials in our own processes as efficient as possible: Intelligently linking and steering our plants and processes creates efficient value chains. By-products from one facility are used as feedstocks elsewhere. This saves raw materials and energy. At the same time, the Verbund offers many opportunities to use renewable and recycled raw materials. We want to better leverage this potential going forward. For example, we are driving forward chemical recycling of mixed plastic waste and used tires in our ChemCycling™ project.

Resource efficiency and stewardship are also becoming increasingly important topics for our customers. That is why we are constantly working to reduce the resources consumed in the manufacturing of our products, for example through more efficient processes, innovative technologies and the use of renewable and recycled raw materials. This enables us to offer our customers solutions that make a greater contribution to sustainability, like a smaller carbon footprint or better biodegradability. Our products also improve our customers' resource efficiency and sustainability in many areas. For example, BASF additives increase the service life and mechanical recyclability of plastics, which saves fossil resources and avoids CO<sub>2</sub> emissions.

### Circular economy

Circularity is a particular focus in the continued development of our product portfolio. This enables us to help our customers achieve their sustainability goals while improving the resource and carbon footprint of our products.

By 2030, the BASF Group aims to generate sales of €17 billion with solutions for the circular economy. These include products based on renewable or recycled raw materials, products that close material cycles ("close the loop") and products that increase the resource efficiency or life of materials ("extend the loop").

In addition, we want to increasingly use alternative raw materials in the manufacturing of our products. These include bio-based raw materials such as bionaphtha and biogas, and renewable raw materials such as RSPO-certified palm oil, which we have been using for many years as a substitute for fossil resources. To expand our supply base for alternative raw materials and at the same time, contribute to the circular economy, we are also developing new, waste-based sources of raw materials. To achieve this, we develop innovative technologies, usually in cooperation with partners, for example for the chemical recycling of plastic waste or disposed mattresses made of polyurethane. The BASF Group aims to process 250,000 metric tons of recycled and waste-based raw materials in its production plants annually from 2025.

One of the steps taken to achieve these goals was the establishment of a Group-wide Circular Economy Program. As part of this program, BASF teams are currently developing new approaches to the three main action areas in more than 35 initiatives: alternative raw material pathways, innovative material cycles and new business models for the circular economy – which also include digital and service-based concepts.

For more information on the circular economy, see [basf.com/circular-economy](https://www.basf.com/circular-economy)

## Health and Safety, Emergency Response

### Our Management Systems

**Protecting people and the environment is our top priority. Our core business – the development, production, processing and transportation of chemicals – demands a responsible approach. We address environmental, health and safety risks with a comprehensive Responsible Care Management System. We expect our employees and partners to know the risks of working with our products, substances and plants and to handle these responsibly.**

BASF is actively involved in the International Council of Chemical Associations' (ICCA) Responsible Care® initiative. We reaffirmed our commitment to this global initiative and the guiding principles of the Responsible Care® Global Charter in 2021. Our Responsible Care Management System comprises the global directives, standards and procedures for environmental protection, health and safety (EHS). At the same time, our Quality Management System ensures the high quality of our products, processes and services, and enables our employees to best meet our customers' needs.

### Responsible Care Management System

Our EHS management approach covers the different stages of our value chain – from the transportation of raw materials to production at our plants, activities at our sites and warehouses, and distribution of our products down to our customers' application of our products. The Environmental Protection, Health & Safety unit in the Corporate Center defines management and control systems for the BASF Group and monitors compliance with internal requirements and legal regulations, while BASF SE implements these requirements locally at the Ludwigshafen site in Germany. Our global network ensures that information and insights are shared across the BASF Group on an ongoing basis. Our policies and requirements are continuously updated. We also maintain dialog with government institutions, associations and international organizations for this reason. We set ourselves ambitious goals for environmental protection, health and safety and regularly review our performance and progress with audits. We assess the potential risks and weaknesses of all our activities – from research and production to logistics – and the potential effects of these on the safety and security of our employees, the environment or our surroundings. We use databases to document accidents, near misses and safety-related incidents at our sites as well as along our transportation routes to learn from these; appropriate measures are derived according to specific cause analyses.

For more information on Responsible Care®, see [basf.com/en/responsible-care](https://basf.com/en/responsible-care)

### Quality Management System

Our Quality Management System comprises the BASF Group's EHSQ policy as well as further standards, guidelines and processes for quality management along the value chain. Our Quality Management System is risk-based, process-oriented and focused on customer satisfaction. Its mandatory elements are set out in a Corporate Requirement. These include core processes such as nonconformance management, change management and the performance of internal audits.

### Responsible Care audits

Regular audits help ensure that our safety, security, health and environmental protection standards are met. We take a risk-based approach and use an audit database to ensure that all plants are regularly audited. The regulations for Responsible Care audits are defined in a Group-wide Requirement.

During our audits, we create a safety and environmental profile that shows if we are properly addressing the existing hazard potential. If this is not the case, we agree on measures and monitor their implementation, for example, with follow-up audits.

In 2021, 35 environmental and safety audits were carried out at BASF SE. Plants were audited based on their individual risk profile.

For more information on occupational health and safety, see page 17 onward

### Costs and provisions for environmental protection at BASF SE

Million €

	2021	2020
Operating costs for environmental protection	580	520
Investments in new and improved environmental protection plants and facilities <sup>1</sup>	135	141
Environmental protection and remediation costs <sup>2</sup>	268	220

<sup>1</sup> Investments comprise end-of-pipe measures as well as integrated environmental protection measures.

<sup>2</sup> Values shown refer to December 31 of the respective year.

For more information, see the Notes on pages 74 and 85

## Safety and security

**For occupational and process safety as well as corporate security and health and environmental protection, we rely on comprehensive preventive measures and expect the cooperation of all employees and contractors. Our safety and security concepts serve to protect our employees, contractors and neighbors, to prevent property and environmental damage, and to protect information and company assets.**

### Strategy

The safety of our employees, contractors and neighbors, and protecting the environment is our top priority. This is why we have set ourselves ambitious goals for occupational and process safety as well as health protection. BASF SE is subject to the mandatory global standards for occupational and process safety, emergency response and health protection. Internal policies are adapted to local conditions to ensure legal requirements are implemented and complied with. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor this. Part of the continuous improvement process at the Ludwigshafen site in Germany are our EHS targets, which are updated every year. In 2021, these were supplemented by an additional package of measures focusing on safety and leadership culture. Our aim here is to advance and anchor goal achievement over the long term. We have defined our reporting indicators in accordance with the reporting standard developed by the International Council of Chemical Associations.

We promote risk awareness for every individual with measures such as systematic hazard assessments, specific and ongoing qualification measures and a wide range of safety initiatives. These include the annual Safety Days, which have become an integral part of safety work at the site. This involvement and lively discussion, even in times of a pandemic, make a major contribution to our safety culture. The same applies to the Safety Champions Team Award for Ludwigshafen, which was presented once again.

We analyze accidents and incidents as well as their causes and consequences in detail to learn from these. The hazard assessments and the risk minimization measures derived from them are an important prevention tool. We also promote regular dialog across different sites to strengthen risk awareness among our employees and contractors, to learn from examples of good practice and in this way, continually develop our safety culture.

Leaders are important role models for employees, which is why environmental protection, health, safety and security are discussed with newly appointed senior executives. Senior executives with a particular responsibility for such topics, for example, in production, also receive specific further training to be able to meet their responsibilities. Due to the restrictions caused by the coronavirus pandemic, the seminars for senior executives were held virtually in 2021. Other events in 2021 also focused on the high relevance of

safety topics and dialog among our leaders, such as regular town halls for senior executives.

### Occupational safety

Our aim is to reduce the worldwide lost-time injury rate to no more than 0.1 per 200,00 working hours<sup>1</sup> by 2025. To prevent work-related accidents, we encourage and promote risk-conscious behavior and safe working practices, learning from incidents and regular dialog. We are constantly refining and enhancing our requirements and training.

We are working on introducing and intensifying communication of specific safety targets and tracked site-wide measures as part of our “One Safety” program. These include systematically tracking incidents with high hazard potential, which was introduced in 2017, for example by having site management representatives specifically visit the relevant plants, and further measures to strengthen leadership conduct with respect to occupational safety.

In addition to the legally required briefings, BASF requires both new and experienced employees and contractors to complete compulsory health and safety training, as well as regular training on the safe handling of chemicals and the correct use of personal protective equipment for employees at our production sites. After existing safety training was converted to virtual formats in 2020, some training – especially courses that also provide hands-on experience – could again be held in person in 2021 despite the coronavirus pandemic.

Our own training center in Ludwigshafen, Germany, has offered continuous further training on diverse safety topics for employees and contractors since 2010, for example, on the correct use of personal protective equipment, seals, ladders and steps, as well as ergonomics. Some 2,800 participants received training there in 2021. This figure was lower than in previous years due to the coronavirus pandemic.

Digitalization and the associated innovative technologies in particular open up numerous new opportunities for us to improve occupational safety and make safety training more realistic and effective.

In 2021, BASF SE recorded 0.6 work-related accidents per 200,000 working hours<sup>1</sup> (2020: 0.6). The share of chemical-related accidents was 3% (2020: 3%). There were no fatal work-related accidents at BASF SE in 2021 (2020: 0).

We actively share insights to further increase occupational safety and continually improve our processes and methods. For example, we evaluate trends in data, analyze accidents and potential incidents, and share knowledge and best practices within our global network of experts and as part of safety initiatives. We also seek

<sup>1</sup> Hours worked by BASF employees, temporary employees and contractors

dialog with government institutions and are actively involved in external occupational safety initiatives and networks around the world led, for example, by national and international associations such as the German Chemical Industry Association or the European Chemical Industry Council (CEFIC).

For more information on occupational safety, see [basf.com/occupational\\_safety](https://basf.com/occupational_safety)

## Process safety

Process safety is a core part of safe, effective and thus sustainable production. BASF meets high safety standards in the planning, construction and operation of its plants around the world. These meet and, in some cases, go beyond local legal requirements.

BASF SE's guidelines provide the framework for the safe construction and operation of our plants as well as the protection of people and the environment. Our experts have developed a safety concept for every plant that considers the key aspects of safety, health and environmental protection – from plant design to the end of the production phase – and that sets out specific safety measures.

In order to maintain the highest level of safety at our plants across their entire life cycles, we verify that our protection concepts, safety reviews and resulting safety measures have been carried out in all our plants at timely intervals based on risk potential. We regularly update our plants' safety and security concepts, taking into particular account new technological opportunities and regulatory developments.

We use the number of process safety incidents (PSI) per 200,000 working hours<sup>1</sup> as a reporting indicator. We have set ourselves the goal of reducing process safety incidents to a rate of no more than 0.1 per 200,000 working hours by 2025. In 2021, BASF SE recorded 0.5 process safety incidents per 200,000 working hours (2020: 0.4). We investigate every incident in detail, analyze causes and use the findings to derive suitable measures. We share the findings at the site and in our global network in the interest of continuous improvement.

Around the world, we promote the reduction of process safety incidents and improve risk awareness with a culture of dealing openly with mistakes and initiatives to foster dialog around safety risks. To reduce process safety incidents, we focus in particular on technical measures and on a leadership culture that places even greater emphasis on process safety. To this end, representatives of site management conducted in-depth discussions on accidents and their causes at plants with high accident rates. Another focus was on plant-specific initiatives to improve behavior-based safety.

In addition, we are continually refining and expanding our training methods and offerings to increase risk awareness. Due to the restrictions associated with the coronavirus pandemic, in-person

seminars were again held as virtual meetings or taught using web-based applications in 2021.

For more information on process safety, see [basf.com/process\\_safety](https://basf.com/process_safety)

## Health protection

The Corporate Health Management department is responsible for occupational health and emergency medical treatment for BASF employees at the Ludwigshafen site in Germany, as well as global coordination and auditing of occupational health activities at BASF Group companies worldwide. It has been recognized by the employers' liability insurance association as a training facility for occupational first aiders.

Our health management serves to maintain and promote the health and productivity of our employees. The occupational health standards are specified in a binding global requirement. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor compliance with the standards, including at the Ludwigshafen site in Germany.

To practice collaboration between the various BASF emergency response teams, one mass casualty incident drill was conducted in 2021 (2020: 1), which physicians, paramedics and other experts from the medical department participated in. In addition, more than 1,900 participants (2020: 1,900) received first aid or refresher training from certified instructors from the site emergency services team in 2021.<sup>2</sup>

We offer our employees a comprehensive range of medical services from preventive programs and emergency care to health promotion initiatives. We raise employee awareness of health topics with offerings tailored to specific target groups. The BASF health checks form the foundation of our global health promotion program and are offered to employees at regular intervals.

We measure our performance in health protection using the Health Performance Index (HPI). This has five components: recognized occupational diseases, medical emergency drills, first aid, preventive medicine and health promotion. Each component contributes a maximum of 0.2 to the total score, meaning that the highest possible score is 1.0. We aim to reach a value of more than 0.9 every year. With an HPI of 0.96, we once again reached this target in 2021 (2020: 0.92). As in 2020, the figure is slightly lower than in previous years due to the coronavirus pandemic. Consequently, a number of criteria crucial to the HPI could not be fully met or measures could not be performed as usual in the reporting year. These included activities that required physical participation such as emergency drills, examinations or first aider training.

In 2021, we continued the measures to fight the coronavirus pandemic developed and successfully implemented in 2020, adapted to the infection situation in each case. By sharing information in our BASF medical network and working closely together with the

<sup>1</sup> Hours worked by BASF employees, temporary employees and contractors

<sup>2</sup> Due to the pandemic, the prescribed period for refresher courses was increased from two to three years in line with the guidance issued by the DGUV (German Social Accident Insurance). As a result, the number of participants per year is lower than in previous years.



authorities, employee representatives and our partners, we were able to make and implement sound and timely decisions according to the situation. Our actions focused on the health of all of our employees, contractors and third parties. Measures included providing information to and raising awareness among employees, tracing and breaking infection chains, and vaccination services. More than 22,000 primary vaccinations and more than 21,000 secondary vaccinations were administered at our coronavirus vaccination center from April to August 2021, and more than 10,000 booster vaccinations were administered there in December to BASF employees, contractors and site partners.

Another focus in 2021 was on influenza prevention. BASF employees could be vaccinated against the seasonal flu at many sites around the world, an offer that was very well received. Around 6,800 employees participated in the influenza vaccination campaign at the Ludwigshafen site in Germany.

In light of the coronavirus pandemic, the Health Campaign 2021 was again devoted to the personal health of our employees. Titled “Recharge yourself,” the program included a wide range of in-person and virtual seminars and interactive events on regeneration such as workshops, courses, talks and exercises. Focus topics were physical activity, nutrition and relaxation.

In October 2021, the Corporate Health Management unit received the European Responsible Care® Award from the European Chemical Industry Council (CEFIC) in the category “Supporting health in COVID-19 times” for its wide-ranging activities and innovative approaches to fight the coronavirus pandemic – bundled under the motto of “Protect yourself and others.”

For more information on occupational medicine, health campaigns and the HPI, see [basf.com/health](https://www.basf.com/health)

## Emergency response, corporate and cyber security

We create working conditions and an environment in which our employees can work safely. The focus of our emergency and crisis management is therefore on the safety of our employees, plants and sites as well as our communities. We are well prepared at global, regional and local level for exceptional situations such as major incidents or pandemics thanks to our extensive regulations and measures for emergency preparedness, emergency response and crisis management. All incidents are carefully followed up on to identify potential for improvement, which is integrated into existing concepts as needed. At BASF SE, unusual incidents are recorded and reported centrally in accordance with a standard Group-wide procedure (e-Rapid Incident Report). This enables us to identify risks at an early stage and, if necessary, initiate appropriate relief and communication measures.

Incidents are initially handled by the local crisis organization or local emergency response team. We have also implemented precautionary organizational measures with clearly defined responsibilities and procedures at the Ludwigshafen site in Germany. The responsible

persons receive regular training. Depending on the situation, we also involve business partners and our sites’ communities, such as local authorities or neighboring companies. Additional teams may be called in depending on the extent of the damage and how it develops.

For example, the Global Crisis Management Support Team (GCMS), led by a member of the Board of Executive Directors, was activated in connection with the coronavirus pandemic. It provides the strategic direction for crisis management and is supported by issue-specific and specialist working groups.

Safety and emergency drills are also conducted regularly for the site. The number of employees and partners involved varies depending on the type of exercise. In 2021, we conducted 217 drills and simulations in Ludwigshafen, Germany, to instruct participants on our emergency response measures according to their specific roles (2020: 176).

We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. In 2021, we provided assistance to public emergency response agencies and other companies in 123 cases (2020: 97). This included information on chemicals and their proper disposal, on-site operational support for transportation accidents involving hazardous goods, or information on human biomonitoring. We apply the experience we have gathered to improve our own processes.

The corporate security requirements for site security are set out in a global guideline. Local implementation at the Ludwigshafen site is regularly audited and continuously improved. Respect for human rights is a mandatory element of our requirements. Aspects of human rights relevant to site security are a component of the global code of conduct and qualification requirements for our internal and external security personnel. We analyze the potential safety and security risks associated with investment projects and strategic plans, and define appropriate safety and security concepts. Our guiding principle is to identify risks for the company at an early stage, assess them properly and derive appropriate safeguards.

We inform business travelers and transferees about appropriate protection measures prior to and during travel in countries with elevated security risks. We updated our travel recommendations in line with the coronavirus pandemic. After any major incident, we can use a standardized global travel system to locate and contact employees in the affected regions.

We protect our employees, sites, plants and company know-how against third-party interference. This includes addressing in depth the issue of cybersecurity and information security. BASF applies the “security by design” principle to critically review and optimize IT applications from a cybersecurity perspective as early as the design phase. We are continually improving our ability to prevent, detect

and react to security incidents with various measures and training programs. The BASF Group's global cybersecurity team also monitors and protects BASF SE's IT systems against hacker attacks. Our IT security management system is certified according to DIN EN ISO/IEC 27001:2017. It also supports, in particular, our critical infrastructures in meeting additional compliance requirements such as DIN EN ISO/IEC 27019:2020, IT security catalog and corresponding industry-specific standards (B3S).

Around the world, we work to sensitize our employees about protecting information and know-how. We further strengthened our employees' awareness of risks in 2021 with mandatory, regular online training for all employees and complementary offerings such as seminars, case studies and interactive training. These increasingly addressed aspects of working practices that have changed as a result of the coronavirus pandemic, such as cybersecurity when working from home.

 For more information on emergency response, see [basf.com/emergency\\_response](https://www.basf.com/emergency_response)



## Product Safety

**We see product safety as an integral part of all business processes, as an element of our risk management, and as an important pillar of our commitment to Responsible Care®. We continuously work to ensure that our products pose no risk to people or the environment when they are used responsibly and in the manner intended. We aim to comply with all relevant national and international laws and regulations.**

### Strategy

We are committed to continuously minimizing the negative effects of our products on the environment, health and safety and to the ongoing optimization of our products. This commitment to product safety is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). Our products should not pose any risk to humans or the environment when used responsibly and in the manner intended.

We aim to comply with all relevant national and international laws and regulations. We implement the rules, processes and responsibilities defined in global requirements at BASF SE to ensure uniformly high product safety standards. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor this. BASF's global network of experts shares information, insights and best practices around product safety on an ongoing basis.

We maintain and evaluate environmental, health and safety data for all of our substances and products in a global database. This information is continuously updated. The database forms the basis for substance and product assessments and for our safety data sheets, which we make available to our customers in around 40 languages. These include information on the physical/chemical, toxicological and ecotoxicological properties of products, potential hazards, first aid measures, measures to be taken in the case of accidental release, and disposal. Our global emergency hotline network enables us to provide information around the clock. In order to help users to quickly find out about our products and the risks associated with them, we use the Globally Harmonized System (GHS) to classify and label our products around the world, provided this is legally permissible in the country concerned. We take into account any national or regional modifications within the GHS framework, such as the E.U.'s CLP Regulation.

We train our employees, customers and logistics partners on the proper handling and optimal use of selected products with particular hazard potential. Furthermore, in associations and together with other manufacturers, BASF is pushing for the establishment of voluntary global commitments to prevent the misuse of chemicals.

### Global chemicals regulations

Most of the products we manufacture are subject to statutory chemicals regulations. We want to ensure compliance with these. We are bound by the relevant regional and national chemicals regulations, which continue to grow in number worldwide. Examples include REACH in the European Union, TSCA in the United States, KKDİK in Turkey or K-REACH in South Korea. BASF Group companies work closely together with a global network of experts to ensure that BASF complies with the applicable regulations.

### Environmental and toxicological testing

Before launching products on the market, we subject them to a variety of environmental and toxicological tests using state-of-the-art knowledge and technology. If we employ animal studies, we adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world. We develop and are continuously optimizing alternative methods to experimentally assess the safety and tolerance of our products without animal studies. Our aim is to replace, reduce and refine animal studies to minimize the impact on them. We made great progress toward this goal in 2021. For example, an animal-free toxicological testing strategy jointly developed by BASF and Givaudan was approved by the OECD – the first of its kind worldwide. The strategy comprises three individual alternative methods. By combining these methods, it is possible to test more precisely than in animal studies whether a substance causes allergic skin reactions.

### Management of nano- and biotechnology

Nanotechnology and biotechnology offer solutions for key societal challenges – such as environmental and climate protection or health and nutrition. For example, nanomaterials can improve battery performance and biocatalytic methods can improve process resource efficiency. We want to harness the potential of both technologies. Using them safely and responsibly is our top priority. Safe handling of nanomaterials is stipulated in our Nanotechnology Code of Conduct, for instance. We produce a range of products with the help of biotechnological methods, including natural fragrances and flavors, enzymes, vitamins or seeds for agriculture. This provides us with extensive experience in their safe use in research, development and production. We are guided by the code of conduct set out by EuropaBio, the European biotechnology association, and want to adhere to all relevant standards and legal regulations governing production and marketing in our use of biotechnology.

## Product stewardship for crop protection products and seeds

Crop protection products and seeds are highly regulated at national and international level, which brings with it strict requirements for registering and re-registering active ingredients and crop systems. Regulatory approval is only granted when extensive documentation can be provided showing that our products are safe for people, animals and the environment when used in the manner intended. Potential risks are assessed and minimized throughout the research, development and registration process, and on an ongoing basis following market registration. We regularly perform a large number of scientific studies and tests to ensure that, as far as possible, our registration dossiers address all questions on potential environmental and health effects.

We adapt our portfolio to the specific requirements of regional markets as crops, soils, climate conditions, plant diseases and farming practices vary around the world. Consequently, product approvals differ from country to country.

BASF adheres to the International Code of Conduct issued by the World Health Organization (WHO) and the Food and Agriculture Organization (FAO) for the distribution of crop protection products. These are only marketed once they have been approved by the relevant authorities. We want to ensure and meet high safety standards worldwide for our products. This applies in particular to distribution in countries that do not have their own or only low-level regulation for crop protection products, as is the case in many emerging markets. We no longer market WHO Class 1A or 1B products (high acute oral and dermal toxicity). Depending on availability, we offer our customers alternatives.

All of BASF's crop protection products can be used safely under local farming conditions if the information and directions on the label are followed. Customers can contact us directly if they have any questions, complaints or issues, for example, by calling the telephone number printed on product labels, using the contact forms on our websites or by approaching our sales employees directly. We record all products incidents relating to health or the environment that come to our attention in a global database. If necessary, we take appropriate measures on the basis of this information, such as updating the instructions for use on the product label to minimize preventable incidents in the future. We communicate changes to instructions for use and general recommendations on the safe use of our products through channels such as our Farmer Field School initiatives in Asia and in training programs such as the On Target Application Academy in the United States.

One of the ways we meet our commitment to product stewardship is by offering a wide range of courses and training on the safe storage and safe use of our products. In India, for example, BASF launched the Suraksha Hamesha program. Suraksha Hamesha means "safety all the time." The program creates a platform for educating farmers and agricultural workers about the nine steps of

responsible use of crop protection products and personal protection. Through Suraksha Hamesha, BASF has engaged with around 162,600 agricultural workers and around 33,200 users across India since 2016. BASF also involves government agencies and the central government's farm extension teams in these meetings to support and promote farm safety.

We also work closely together with associations such as CropLife International and CropLife Europe to promote the safe and proper use of crop protection products. For example, we support the stewardship initiatives of both associations and various programs on the proper disposal and recycling of product containers. Technological innovations developed together with industry partners such as the easyconnect closed transfer system in Europe or the Wisdom system in South America also help to make using crop protection products easier and safer.

BASF is a member of Excellence Through Stewardship, a global industry initiative for seeds. This initiative promotes the adoption of quality management systems for seeds and product stewardship programs covering the entire life cycle. It also has independent ETS-certified auditors verify members' compliance with its guidelines. In 2021, BASF successfully passed ETS audits in the areas of laboratory operations, contained biotech plants, general stewardship, incident response management and product handling at our Ghent and Astene sites in Belgium.

## Transportation Safety

**Our regulations and measures for transportation safety cover the delivery of raw materials, the handling and distribution of chemical products between BASF sites, warehouses and customers, and the transportation of waste.**

### Strategy

We want our products to be loaded, transported and handled safely. This is why we depend on recognized standards, an effective organization and reliable logistics partners. Our goal is to minimize risks along the entire transportation chain – from loading and transportation to unloading. The transportation of dangerous goods is subject to mandatory national and international dangerous goods regulations as well as local guidelines for the Ludwigshafen site in Germany. The dangerous goods safety advisor regularly monitors compliance with transportation safety regulations and guidelines at BASF SE using globally standardized transportation safety reviews. External logistics partners are evaluated based on risk either through assessments or on-site audits. BASF's global network of experts ensures that information, insights and best practices are shared on an ongoing basis.

### Preventive safety measures

National and international dangerous goods regulations are based on an assessment of transportation risks and set out rules and measures for safely transporting dangerous goods. We use various tools to minimize transportation risks. For example, for every dangerous good to be transported, we check in each case whether the packaging is suitable for the type of transport. We conduct digital dangerous goods checks before shipping orders are released. In addition, vehicles are subjected to a thorough dangerous goods check prior to loading and rejected if there are any issues.

Above and beyond this, we use a global requirement to specifically assess the safety and environmental risks of transporting and handling raw materials and sales products with high hazard potential. This is based on the Guidance on Safety Risk Assessment for Chemical Transport Operations published by the European Chemical Industry Council (CEFIC).

We stipulate requirements for our logistics service providers and assess them in terms of safety and quality. Our experts use our own evaluation and monitoring tools as well as internationally approved schemes.

### Transportation incidents

To evaluate transportation safety, we systematically record transportation incidents according to defined criteria. We use the number of transportation incidents<sup>1</sup> as a reporting indicator. In 2021, we recorded four transportation incidents at BASF SE (2020: 5).

A particular focus is incidents involving goods spillages that could lead to significant environmental impacts. These include dangerous goods leaks of BASF products in excess of 200 kilograms on public traffic routes, provided BASF arranged the transport. BASF SE recorded two incidents in 2021 with spillage of more than 200 kilograms of dangerous goods<sup>2</sup> (2020: 1). None of these transportation incidents had a significant impact on the environment (2020: 0).

For more information on transportation safety, see [basf.com/distribution\\_safety](https://www.basf.com/distribution_safety)

### Securing raw materials supply via the Rhine River

In order to secure waterside logistics at the Ludwigshafen site in Germany even during critical low water events, we have been implementing measures in various areas since 2018. The development of an early warning system for dry periods and measures to make loading stations more flexible have already been completed. Since 2019, we have also permanently leased low-water vessels available on the market from various shipping companies. In addition, we have initiated the development of three new types of inland waterway vessels suitable for low water together with external partners. One was put into operation in 2021. As a co-signatory of the German Federal Ministry of Transport's "Low water on the Rhine" action plan, we also support further measures to improve shipping conditions on the Rhine. We recorded no extended low water events that significantly restricted our logistics in 2021.

<sup>1</sup> Data is collected based on the International Council of Chemical Association's (ICCA) guidance for reporting performance and includes road, rail and container shipping incidents.  
<sup>2</sup> Hazardous goods are classified in accordance with national and international hazardous goods regulations.

## Energy and Climate Protection

**As an energy-intensive company, we take responsibility for the efficient use of energy and global climate protection. We are committed to the Paris Climate Agreement. Our innovative products enable a reduction in greenhouse gas emissions in many areas. At the same time, we are working to significantly reduce our own carbon footprint with our carbon management.**

### Strategy

Climate protection is very important to us and is an important part of our corporate strategy. Our activities to reduce greenhouse gas emissions are part of the BASF Group's global carbon management. This has five levers: using renewable energies for both electricity and steam production (gray-to-green and power-to-steam levers), developing and applying new carbon-free production processes (new technologies lever), using alternative raw materials (bio-based feedstocks lever), and ongoing measures to further increase energy and resource efficiency in our production (continuous opex lever). We only consider external offsetting measures as a temporary stop-gap if our activities do not make the desired contribution to reducing emissions.

Most of our greenhouse gas emissions are from the use of fossil fuels to generate energy. At the Ludwigshafen site in Germany, we primarily rely on highly efficient combined heat and power plants with gas and steam turbines, and on the use of heat released by production processes. Furthermore, we are committed to energy management that helps us analyze and further improve the energy efficiency of our plants on an ongoing basis. We continuously analyze potential risks to our business operations arising in connection with the topics of energy and climate protection and derive appropriate measures.

### Targets and measures

The BASF Group has set itself the goal of reducing total greenhouse gas emissions from its production sites and energy purchases by 25% by 2030 compared with 2018.<sup>1</sup> By 2050, the BASF Group aims to achieve net zero emissions from its production sites and energy purchases. BASF SE will play a significant part in reaching this goal. However, no separate site target has been set for greenhouse gas emissions, as changes to plant capacity utilization and the portfolio can have a great impact on target achievement at individual site level, but can usually be offset at Group level.

Energy use and greenhouse gas emissions are closely linked to capacity utilization and production volumes at our plants. Group-wide, specific greenhouse gas emissions in 2021 amounted to 0.564 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product,<sup>2</sup> a decrease of 11.7% compared with the previous year (2020: 0.639 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product). This was mainly due to higher demand compared with the previous year and consequently, better and more stable capacity utilization at our plants. In addition, the increased use of renewable energy had a positive impact on specific greenhouse gas emissions.

We aim to make our plants and processes even more efficient and resource saving. An important component of this is the introduction and ongoing maintenance of certified energy management systems according to DIN EN ISO 50001. BASF SE's Ludwigshafen site has been certified according to ISO 50001 since 2014. We continuously analyze and implement measures to increase energy efficiency.

For more information on climate protection, see [basf.com/climate\\_protection](https://basf.com/climate_protection)

For more information on carbon management, see [basf.com/en/carbon-management](https://basf.com/en/carbon-management)

### Energy demand of BASF SE

	2021	2020
Electricity (MWh)	5,998,140	5,984,894
Steam (metric tons)	19,510,149	18,096,317
Fossil fuels in power plants (MWh)	17,802,367	16,491,520

<sup>1</sup> The goal includes other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e). In March 2021, the previous target of CO<sub>2</sub>-neutral growth until 2030 (baseline 2018: 21.9 million metric tons of CO<sub>2</sub>e) was replaced with a new, more ambitious climate protection target to reduce absolute CO<sub>2</sub> emissions by 25% compared with 2018 (new target: 16.4 million metric tons of CO<sub>2</sub>e).

<sup>2</sup> Sales product volumes include sales between BASF Group companies; merchandise is not taken into account.

## Emissions to Air, Waste and Remediation

**We want to minimize the impact of our activities on people and the environment by continually reducing emissions to air, preventing waste and protecting the soil and groundwater. Our plants are operated safely and efficiently. We use resources responsibly and are continually reducing the environmental impact of our plants and processes with our Operational Excellence Program.**

### Strategy

The safe and efficient operation of our plants and the responsible management of resources and waste are core components of our Responsible Care Management system. The standards for emissions to air, waste and contaminated sites defined in Group-wide guidelines are also implemented at BASF SE. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor compliance with internal guidelines and legal requirements. BASF's global network of experts regularly shares information, insights and best practices to further reduce our emissions to air, manage waste and responsibly handle contaminated sites. Continuous documentation and monitoring of emissions to air, soil and groundwater, waste streams and contaminated sites as well as the implementation of measures for improvement are an integral part of our environmental management. In addition to greenhouse gases (see page 24), we also measure and analyze emissions of air pollutants to avoid potentially harmful substances as best possible. Our waste management is based on the systematic tracking of material flows and follows a clear hierarchy: We aim to avoid waste as far as possible, for example, by continuously optimizing our processes or developing new production methods. BASF's Verbund structure with its networked plants and value chains is key here. We use it to efficiently manage our material flows. The by-products of one plant serve as feedstock for other plants and processes elsewhere in the BASF Verbund, avoiding waste and enabling us to use raw materials as efficiently as possible. If these cannot be used within BASF's Verbund structures, we assess whether they can be recycled or thermally recovered. Non-recyclable materials are disposed of safely, appropriately and in an environmentally responsible manner. If we use external waste disposal companies, we conduct

regular audits to ensure that waste is disposed of properly. In this way, we also contribute to preventive environmental protection and keep today's waste from becoming tomorrow's contamination. If soil and groundwater contamination occurs at active or former sites, appropriate remediation measures are reviewed and implemented.

### Waste

BASF SE generated 777,130 metric tons of waste in 2021 (2020: 751,640 metric tons). Of this, 47.3% was recovered and 52.7% was disposed of. Hazardous waste accounted for 98.4% of the total disposed waste.

### Management of landfill and contaminated sites

We have global standards for managing contaminated sites. A worldwide network of experts ensures these are implemented. We develop remediation solutions that balance nature conservation, climate protection concerns, costs and social responsibility. This means making differentiated decisions on a case-by-case basis, founded on the legal framework and current technological standards. Contaminated sites are documented in a database. Ongoing remediation work around the world continued on schedule in 2021 and planning was concluded for future remediation projects. Mineral waste generated by BASF SE that can no longer be recovered is deposited at landfill sites such as Flotzgrün. Activities to contain and monitor the groundwater contamination in the older sections of the Flotzgrün landfill site were systematically continued and optimized with additional groundwater measuring stations.

### Emissions to air by BASF SE

	2021	2020
Emissions of air pollutants (excluding CH <sub>4</sub> ): CO, NO <sub>x</sub> , NMVOC, SO <sub>x</sub> , Dust, NH <sub>3</sub> / other inorganic substances (metric tons)	8,288	7,963 <sup>1</sup>
Greenhouse gas emissions: CO <sub>2</sub> , N <sub>2</sub> O, CH <sub>4</sub> , HFC, PFC, SF <sub>6</sub> (million metric tons of CO <sub>2</sub> equivalents)	7.20	7.42

### Waste generated by BASF SE

	2021	2020
Total waste generation (metric tons) <sup>2</sup>	777,130	751,640

<sup>1</sup> The comparative figure for 2020 has been adjusted to reflect updated data.  
<sup>2</sup> Comprises all production waste and waste from construction activities.

## Water

**Water is of fundamental importance in chemical production. It is used as a coolant, solvent and cleaning agent, and to make our products. Our goods are transported via waterways. At the same time, water is a scarce commodity in more and more regions. That is why we promote the responsible use of this resource with sustainable water management.**

### Strategy

The responsible use of water as a resource is a core element of our Responsible Care Management System and an important part of our commitment to the United Nations' Sustainable Development Goals (SDGs). This is also reflected in a position paper on water protection, which the BASF Group published in 2021.

The global standards and requirements for water are defined in Group-wide guidelines, which also apply to BASF SE. Among other things, these stipulate that water protection concepts must be implemented at all production sites. The guidelines also cover aspects such as process and transportation safety (see pages 18 and 23) in order to prevent production and transportation-related product spillages into water bodies as far as possible. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor implementation and compliance with internal guidelines and legal requirements. BASF's global network of experts shares information, insights and best practices around the responsible use of water on an ongoing basis.

### Targets and measures

By 2030, the BASF Group wants to have introduced sustainable water management at the Verbund sites and at all production sites in water stress areas,<sup>1</sup> covering 89% of the BASF Group's entire water abstraction.

We pursue our goal by applying the European Water Stewardship standard, which rests on four principles: sustainable water abstraction, maintaining good water quality, preserving conservation areas, and ensuring continuous improvement processes.

BASF SE's Verbund site in Ludwigshafen, Germany, was audited with respect to sustainable water management as early as 2014. The aim of sustainable water management is to ensure that the company does not have any relevant negative impact on water supply in the surrounding environment. This includes the efficient use of abstracted water and an effective water protection concept like the one implemented in Ludwigshafen.

[For more information, see basf.com/water](https://www.basf.com/water)

### Water balance of BASF SE

	2021	2020
Water abstraction (million cubic meters)	1,186	1,337
Water use (million cubic meters)	2,228	2,002
Water discharge (million cubic meters)	1,060	1,097
Emissions of organic substances to water (metric tons)	5,088	4,959
Emissions of nitrogen to water (metric tons)	1,313	1,426
Emissions of heavy metals to water (metric tons)	8	8

<sup>1</sup> We define water stress areas as regions in which 40% or more of available water is used by industry, households and agriculture.



## Biodiversity

**Biodiversity describes the variety of life forms on Earth. Low flora and fauna diversity weakens ecosystems' ability to withstand changes such as climate change. As a chemical company, we depend on ecosystem services like the availability of renewable resources and high air, water and soil quality, while also influencing them. Protecting biodiversity is a key element of our commitment to sustainability.**

### Strategy

BASF sees the United Nations' Convention on Biological Diversity and the Sustainable Development Goals (SDGs) – including Life below water (SDG 14) and Life on land (SDG 15) – as important orientation and reference frameworks. Our measures help to preserve biodiversity and meet our responsibility to maintaining the wellbeing of the environment and society. Our corporate sustainability goals on climate protection, product portfolio, circular economy, water management and responsible procurement also help to protect biodiversity.

We align our biodiversity measures with the impact of our business activities along the value chain. Our focus here is on three impact areas: supply chains, sites and production, and product impact. We analyzed these in an internal workshop according to the five drivers of biodiversity loss as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. These are land-use change, climate change, invasive species, overexploitation and pollution. Our analysis showed that our impacts along the value chain mainly relate to the drivers of climate change, land-use change and pollution. We counteract the climate change driver of biodiversity loss – and in this way, help to preserve biodiversity – with our climate protection measures, which play an integral role in all our impact areas (see page 24).

We use various methods to measure our sustainability performance that implicitly and explicitly consider relevant risks and opportunities for biodiversity. These include the Eco-Efficiency Analysis, SEEBalance®, Sustainable Solution Steering, Value to Society, AgBalance® and the corresponding biodiversity calculator. Our Value to Society method assesses things like land use along value chains. Newly developed assessment methods help us to understand further influences on biodiversity. On the basis of this understanding, we seek dialog with partners and enter into strategic partnerships, through which we drive forward measures to protect biodiversity around the world.

### Responsibility to our supply chains

Some of the business activities of our raw material suppliers involve land uses that can influence biodiversity (biodiversity loss driver: land-use change). We have laid down our expectations of our suppliers with regard to environmental, labor and social standards in the supply chain in the Supplier Code of Conduct (see page 13).

BASF procures a variety of renewable raw materials. In the procurement of palm and palm kernel oil in particular, there is an elevated risk of deforestation to create farmland. To improve sustainability in procurement, we established the BASF Palm Commitment in 2011, which was updated in 2015 and is implemented with our Palm Sourcing Policy. Third-party certification with standards such as the Roundtable on Sustainable Palm Oil (RSPO) standard enables us to take biodiversity criteria into account when purchasing raw materials (see page 15). We are also committed to the environmental sustainability of other supply chains through our own initiatives, such as our rambutan program. This was launched in 2014 in close collaboration with partners in Vietnam to source botanical ingredients for cosmetic products from certified organic rambutan gardens. In cooperation with local farmers and NGOs, BASF's program promotes the preservation of biodiverse habitats, as well as good agricultural practices, gender equity and fair working conditions.

Our position on forest protection sets out our commitment to preserving biodiversity in areas of High Conservation Value such as High Carbon Stock forest areas and peatlands in the procurement of renewable raw materials. BASF participated in the "Forests" assessment conducted by the international organization CDP for the second time in 2021 and achieved a score of A–, again giving it Leadership status. CDP is a nonprofit organization that evaluates companies' management of the environmental risks and opportunities relating to forests, among other things. The assessment is conducted based on detailed insights into the palm value chain and activities that impact ecosystems and natural habitats.

### Responsibility to our sites and production

Preservation of biodiversity is taken into consideration in the management of our sites. We operate our facilities in a responsible manner and minimize negative effects on the environment (biodiversity loss driver: pollution) by keeping air, water and soil emissions as low as possible and reducing and avoiding waste (see page 25 for more information).

Our site management measures consider our impact on the biodiversity loss driver of land-use change. For example, given the relevance of conservation areas to preserving diversity, we check how close our production sites are to internationally recognized conservation areas. In 2021, we included this indicator in our environmental database. This allows us to raise awareness of biodiversity at local level and draw attention to potential impacts of our sites on these areas. Four percent of our production sites are adjacent to a Ramsar site and 1% are adjacent to a category I, II or III protected area as defined by the International Union for Conservation of Nature.<sup>1</sup> None of our production sites are adjacent to a UNESCO protected area.

We have adopted biodiversity as a criterion in decision-making processes. In addition, we systematically consider sustainability aspects when deciding whether to invest in the construction of new

<sup>1</sup> We have defined "adjacent" as the area within a 3 km radius.

sites or expand existing ones. Aspects assessed include the potential impacts on forests and biodiversity.

We are implementing local measures to protect biodiversity at a number of sites. In Clermont, France, for example, grassed areas were converted into biodiversity-friendly spaces, nesting boxes for swallows and other bird species were installed, and their population sizes were measured and documented. In addition, training was held to raise employees' awareness of biodiversity.

We also take biodiversity conservation into account in our production. We are committed to complying with the provisions of international environmental agreements such as the Nagoya Protocol. The supplementary agreement to the U.N.'s Convention on Biological Diversity regulates access to genetic resources and benefit sharing. It sets out obligations (for example, compensation payments) for the users of genetic resources such as plant-based raw materials. We use internal control mechanisms to monitor compliance with these standards.

### Management of our product impact

BASF offers products and solutions for a wide range of industries. We want to ensure that our products meet our customers' standards in quality and, through appropriate use, pose no risk to humans, animals or the environment. Our commitment to the objectives set forth by the Responsible Care® charter of the International Council of Chemical Associations (ICCA) obligates us to continuously minimize the negative effects of our products on the environment, health and safety and to optimize our products on an ongoing basis. It is important to consider the potential impacts of product use on biodiversity, for example, with regard to the biodiversity loss driver of pollution.

For example, we evaluate our products and solutions in crop protection and seeds throughout the entire research, development and registration process. After they have been approved for the market, we continue assessing them regularly for potential risks and impact to the ecosystems in which they are used. We have initiated various projects and offer training to prevent misuse of our products (see page 22).

All types of land development, such as agriculture and forestry, play a role in changing biodiversity (biodiversity loss driver: land-use change). Activities such as tillage, drainage, fertilization and the use of crop protection products can affect flora and fauna, for example, by influencing food sources. Minimizing these impacts while ensuring the necessary productivity is one of the biggest challenges farmers are facing. Our Agricultural Solutions segment focuses on four areas to help farmers to find the right balance: climate-smart farming, sustainable solutions, digital farming and smart stewardship. In this context, we work with farmers to create balanced agricultural systems which enable productive and efficient farming of high-quality food products and at the same time promote

biodiversity in the field. For example, we advise them on soil cultivation and look for suitable ways to improve biodiversity in farmlands. Our many years of experience in sustainability measurement and evaluation in agriculture are particularly useful here.

Our AgBalance® method and the biodiversity calculator, which has been available since 2020, enable a scientifically sound assessment of the impact of agricultural practices on biodiversity. Based on these assessments, we issue recommendations for measures such as planting flower strips or establishing nesting places to benefit pollinators like wild bees and farmland birds. Our modern seed solutions also enable better yield on existing farmlands and thus help protect natural habitats.

BASF started the global registration for a new, more environmentally friendly insecticide active ingredient in 2021. The active ingredient, Axalion™, enables farmers to control a wide range of piercing and sucking pests that are harmful to crops. At the same time, it is highly compatible with beneficial insects such as pollinators. This supports farmers in balancing agricultural productivity, environmental protection and societal demands.

Animal farming is essential to meeting growing global demand for products of animal origin such as meat, eggs and milk. Industrialized livestock production also requires large areas of agricultural land for growing feed, which has implications for the share of forest areas and biodiversity. BASF offers a range of feed additives such as enzymes, vitamins, glycinates and organic acids that improve nutrient utilization from feed. Better feed conversion and more sustainable livestock production mean that less land is needed, preserving natural ecosystems.

### Strategic partnerships to promote biodiversity

Engaging in ongoing dialog with a variety of stakeholders is important to BASF. That is why we seek out partnerships with relevant interest groups and organizations worldwide to raise awareness of biodiversity and drive forward the action needed to preserve natural habitats. This enables us to firstly share the knowledge gained from our biodiversity activities and secondly learn from others to improve our own practices.

We cooperate with a number of organizations including the Roundtable on Sustainable Palm Oil, the Sustainable Palm Oil Forum, the Brazilian Coalition on Climate, Forests and Agriculture and the High Carbon Stock Approach Steering Group. The Taskforce on Nature-related Financial Disclosures (TNFD) is working to provide a framework for reporting on nature-related risks and related activities. In 2021, BASF joined the newly established TNFD Forum, a consultative network, to support this development. Our involvement in organizations such as the Alliance to End Plastic Waste and the Alliance for Water Stewardship help to preserve biodiversity in bodies of water.



Together with international partners and based on dialog with stakeholders in the food value chain, we are driving forward measures to promote sustainable agriculture. In the United States, for example, BASF is a member of the Honey Bee Health Coalition, which aims to achieve healthy honey bee populations and support healthy populations of native and managed pollinators in productive agricultural systems and thriving ecosystems. BASF France is part of the Entreprises pour l'environnement (EpE) network, which launched the Act4nature campaign with the main objective of protecting and enhancing biodiversity.

Since 2013, we have also been working with different farmers and experts from the BASF FarmNetwork Sustainability, an association of farms in Europe, to integrate more connected biodiversity areas into agricultural production. Based on the insights gained from working together, an advisory board of experts from agriculture, nature conservation and environmental protection developed a biodiversity checklist and published it in 2021. This summarizes 10 ecologically effective and practicable measures to promote biodiversity. Since 2021, BASF has supported farmers participating in its #wirzahlenBiodiversität ("We pay biodiversity") program financially and with professional advice. Our initiatives to preserve biodiversity help farmers to achieve the right balance between economic and environmental factors and help them make an important societal contribution to the preservation of ecosystems.

 For more information on our commitment to biodiversity, see [basf.com/biodiversity](https://www.basf.com/biodiversity)

## Our Sustainability Measures

**We want to contribute to a better world with enhanced quality of life for everyone. That is why the three pillars of sustainability are firmly anchored in our corporate purpose, our strategy, our targets and our operating business. They are at the core of what we do, a driver for growth and an element of our risk management. We pursue a holistic approach that covers the entire value chain – from our suppliers and our own activities to our customers.**

### Stakeholder engagement

We leverage the expertise of global initiatives and networks and actively engage in dialog with various stakeholder groups, contributing our expertise.

For instance, we have been a member of the U.N. Global Compact (UNGC) since its establishment in 2000. As a recognized LEAD company, we contribute to the implementation of the Agenda 2030 and the associated goals. For example, we support the UNGC action platforms, including the Sustainable Finance platform in the form of the CFO Taskforce for the SDGs (U.N. Sustainable Development Goals), and the Decent Work in Global Supply Chains action platform, in which company representatives and experts discuss how respecting human and labor rights is crucial to achieving the SDGs. With the six-month SDG Ambition program, the UNGC and the German Global Compact Network (DGCN) support participating companies in aligning their sustainability targets more closely with the SDGs and deriving specific measures from them. BASF is also active in 13 local Global Compact networks.

In 2021, we again discussed relevant sustainability topics with the Stakeholder Advisory Council. Focus topics included climate protection, the energy transformation and food security. Topics discussed by the Human Rights Advisory Council, which is chaired by our Chief Compliance Officer, included particular challenges in the battery materials value chain.

BASF SE's Ludwigshafen site is located in the immediate vicinity of the surrounding residential areas. This is why having a relationship of trust with our community is particularly important to us. We therefore established regular community advisory panels and dialog forums such as meetings with local council members and representatives from the districts of Ludwigshafen, Mannheim and Frankenthal surrounding the Ludwigshafen site in Germany to promote dialog between the public, politics and site management. These meetings were again held in 2021. We also hold information stands at specific events or invite our neighbors to tour our sites. Such a dialog stand was offered in the Oppau district of Ludwigshafen in September 2021. There, residents and interested parties had the opportunity to talk to representatives of site management about topics such as current environmental and safety issues. In addition, our neighbors' concerns about housing for fitters in Ludwigshafen-Oppau were also discussed. BASF has announced specific initial measures here, such as offering accommodation through its housing subsidiary.

We promote digital dialog on sustainability topics. In November 2021, we held the second hackathon as part of the Climathon initiative in North and South America, where employees developed digital solutions for sustainability topics.

 For more information on stakeholder dialog, see [basf.com/en/stakeholder-dialog](https://basf.com/en/stakeholder-dialog)

For more information on BASF as a good neighbor, see [ludwigshafen.basf.de/en](https://ludwigshafen.basf.de/en)

### Societal engagement

Through our societal engagement, we want to address the needs of the communities surrounding our production sites worldwide, help achieve the SDGs, and have a positive long-term impact on the environment and society. This is why societal engagement is a cornerstone of our corporate social responsibility. It encompasses the focus areas of health, skills and resources.

We work with partners worldwide to promote public health, for example, to combat malaria. Through our New Nets project in cooperation with The Global Fund, Unitaid and other financial partners, approximately 25 million of our Interceptor® G2 mosquito nets had been distributed in African countries as of December 2021. These were specially developed to counter insecticide resistance in the fight against malaria and contain two different insecticides. The project goal is to distribute a total of around 35 million nets by the end of 2022.

As a responsible neighbor at our largest site in Ludwigshafen and a partner in the Rhine-Neckar metropolitan region in Germany, our societal engagement strategy strengthens the participation and integration of disadvantaged groups, and promotes research and discovery. For example, we are responding to the increased need for support among children and young people due to the pandemic with the Deine Lernbox program, which reached around 600 students at 21 schools in 2021. We promote cooperation between nonprofit organizations with the Gemeinsam Neues schaffen program, which was held for the sixth time in 2021. To date, over 800 organizations have received around €1 million toward implementing around 350 cooperative projects in the region. BASF's Helping Hands volunteer fund has supported associations in the Rhine-Neckar metropolitan region in Germany that have experienced economic hardship as a result of the coronavirus pandemic with an amount of €300,000. The nonprofit organizations use the funds to secure their continued existence, maintain their facilities and continue children's and youth work and inclusion projects.

BASF has supported art and culture since 1921. The first symphony concert of what was then the Palatinate orchestra at BASF's Feierabendhaus event venue on November 30, 1921, laid the foundation for BASF's commitment to culture.

With Wissensfabrik – Unternehmen für Deutschland e.V., we promote a network of around 130 companies and corporate foundations that sponsor educational institutions and start-ups to support children, young people, students and young entrepreneurs. The focus is on school projects that provide hands-on experience with

STEM (science, technology, engineering and mathematics). Due to the coronavirus pandemic, the project's initiatives (such as IT2School – Gemeinsam IT entdecken and KiTec – Kinder entdecken Technik) were also offered in digital formats, allowing these educational programs to continue even as school operations were restricted. In the new City4Future project launched in early 2022, schoolchildren explore topics related to energy, climate change and sustainability through play and can develop ideas for the urban living space of the future.

We aim to create long-term value for BASF and society with new business models and cross-sector partnerships. Our Starting Ventures program helps people from low-income areas to improve their economic opportunities and their quality of life. The program also provides access to new markets and partners, and contributes to reaching the SDGs. A new internal application round for Starting Ventures projects was launched in October 2021. The projects, which aim to help improve local living conditions, then enter the implementation phase. BASF contributes both technical expertise and resources to the projects to address local challenges and contribute to the SDGs.

In the area of international development cooperation, we support the independent charitable BASF Stiftung with donations for its projects in cooperation with various organizations. The 2021 year-end donation campaign in favor of BASF Stiftung supported the United Nations Children's Fund, UNICEF, which celebrated its 75th anniversary. Together with the Indian organization ChildLine and other partners, UNICEF is working to provide psychosocial care for children in India who have had difficulty accessing important services as a result of the pandemic. BASF doubled the donations made by employees of participating German Group companies to a total of around €600,000.

BASF also made donations to support those affected by natural disasters in 2021. In July, BASF donated €1 million to flood relief in Germany, which hit the states of North Rhine-Westphalia and Rhineland-Palatinate particularly hard. The donation went to the German Red Cross, which was active in these crisis regions. In August, BASF doubled the amount donated by employees at its German sites (€702,668 in total) to around €1.4 million. BASF Stiftung distributed the donations to affected private households and charitable institutions. In September, BASF donated \$500,000 to disaster relief following Hurricane Ida and for long-term recovery efforts in Louisiana. Local nonprofit organizations used \$300,000 of this amount for emergency relief and reconstruction. In addition, \$200,000 went to supporting BASF employees who were directly impacted by the effects of the hurricane.

For more information on BASF's commitment to the region and BASF as a good neighbor, see [ludwigshafen.basf.de/en](https://ludwigshafen.basf.de/en)

For more information on our societal engagement around the world, see [basf.com/en/engagement](https://basf.com/en/engagement)

### Continuation of global aid measures during the coronavirus pandemic

BASF launched the Helping Hands aid campaign in 2020 to help fight the coronavirus and its effects. In 2021, we continued to use our expertise in research, production, procurement and logistics to support people affected by the pandemic around the world.

In April 2021, BASF opened the first accredited corporate coronavirus vaccination center in Germany at its Ludwigshafen site. More than 22,000 primary vaccinations and more than 21,000 secondary vaccinations were administered there from April to August and more than 10,000 booster vaccinations were administered there in December to BASF employees, contractors and site partners. The coronavirus vaccination center was established and operated by an interdisciplinary team from various BASF units, coordinated by Corporate Health Management.

A global working group in our Pharma Solutions business unit has supported pharmaceutical companies in their research on vaccines and therapies to combat COVID-19 since March 2020. The task force reviews patent applications, clinical trials and scientific publications to identify potential collaborations with companies. BASF is currently supporting the global development of more than 80 therapies with its ingredients and expertise.

BASF products were used to cool coronavirus vaccines. For instance, Elastopir® insulation panels were produced in cooperation with a partner in Malaysia and used to equip refrigerated warehouses in Asia. In cooperation with various partners in Germany, Neopor® and Styropor®, BASF's expandable polystyrenes (EPS), were used to produce boxes to transport COVID-19 vaccines due to their good insulating and shock-absorbing properties.

In 2021, BASF also provided in-kind support around the world to overcome the challenges posed by the coronavirus pandemic. For example, BASF donated molecular sieves to the Indian government to facilitate the production of medical oxygen. Medical equipment, including ventilators, was also donated, and acute care units were set up in Mumbai together with partners. We donated medical equipment to Malaysian hospitals for the treatment of COVID-19 patients. In South America, BASF launched a food drive and donated food packages to communities around BASF sites. The food was distributed there to those in need with the help of employees who volunteered their time.

### Steering our product portfolio

We take advantage of business opportunities by offering our customers innovative products and solutions that support their sustainability goals. We ensure that the business units follow standard processes to evaluate and take into account relevant sustainability criteria when they develop and implement strategies, research projects and innovation processes.

Accelerator products make a substantial sustainability contribution in the value chain. These include catalysts that reduce emissions to the environment, biodegradable mulch films for agricultural applications, and high-performance insulation materials for higher energy savings and reduced material use in building construction.

Based on our corporate strategy, we have set ourselves a global target: We aim to make sustainability an even greater part of our innovation power and achieve €22 billion in Accelerator sales by 2025. We met this target already in 2021. Consequently, we will update our product portfolio steering target over the course of 2022.

A significant steering tool for the product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method. It considers our products' applications in various markets and customer industries. Transparently classifying our products on the basis of their contribution to sustainability enables us to systematically improve them. We review the categorization of the portfolio at least every four years. This includes analyzing the portfolio in workshops.

If, during reassessment of our portfolio, we identify products with significant sustainability concerns, we classify these as "challenged." We develop and systematically implement action plans for all products in this category. These include research projects and reformulations to optimize products, or even replacing the product with an alternative. To systematically align our portfolio with contributions to sustainability, in 2018 we started phasing out all Challenged products within five years of their initial classification at the latest. We strive to offer products that make a greater contribution to sustainability in their area of application to live up to our own commitments and meet our customers' demands. That is why an adapted version of our Sustainable Solution Steering method is used in areas such

as our research and development pipeline, and in merger and acquisition projects. The results and any measures required are part of our business strategies.

By the end of the 2021 business year, we had evaluated 98.7% of the relevant portfolio<sup>1</sup> (2020: 98.4%). This refers to the BASF Group's sales from products in its strategic portfolio to third parties in the business year concerned. By the end of 2021, sustainability analyses and assessments had been conducted for more than 56,000 specific product applications (2020: >57,000), accounting for €71 billion in sales (2020: €54.1 billion).

In 2021, we generated sales of €24.1 billion with Accelerator products (2020: €16.7 billion) – already reaching our target for 2025. Accelerator products account for 33.9% of the assessed relevant portfolio. Sales of Accelerator products rose by 44.3% compared with the previous year. This is primarily attributable to the positive development of Accelerator sales in the Surface Technologies and Chemicals segments. Performer products account for 54.9%, Transitioner products for 11.1% and Challenged products for 0.1% of the solutions assessed.

New market requirements arise as a result of the continuous development of new product solutions in the industry or changing regulatory frameworks. This has an effect on the comparative assessment, which is why we regularly reassess our product portfolio.

For more information on Sustainable Solution Steering, see [basf.com/en/sustainable-solution-steering](https://basf.com/en/sustainable-solution-steering)

<sup>1</sup> The definition of the relevant portfolio and further information can be found in the Sustainable Solution Steering manual at [basf.com/en/sustainable-solution-steering](https://basf.com/en/sustainable-solution-steering)

## Employees

**Our employees make a significant contribution to BASF's success. We want to attract and retain talented people for our company and support them in their development. To do so, we cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to top performance.**

### Strategy

Our employees are key to the successful implementation of BASF's strategy. We are convinced of the value of excellent employees, leaders and working conditions, and strive to give our employees the tools and skills necessary to be able to offer our customers products and services with an even greater level of differentiation and customization. Our corporate strategy promotes a working atmosphere based on mutual trust, in which employees are given the space to optimally develop their individual skills and potential. This positions us to meet the challenges of an increasingly rapidly changing environment, demographic change and the digital workplace. In everything we do, we are committed to complying with internationally recognized labor and social standards. We want to further strengthen our innovative power with attractive working conditions and through the inclusion of diversity. Lifelong learning and individual employee development lay the foundation for this. Compensation and benefits as well as offerings to balance personal and professional life complete our diverse total offer package. In order to continue to attract talented people to our company in the future, we work continuously on BASF's attractiveness as an employer. Our employees play an important role here as ambassadors for BASF.

### Number of employees

At the end of 2021, BASF SE had 34,405 employees (2020: 34,484); of these, 2,076 were apprentices<sup>1</sup> (2020: 2,034). The decrease in the number of employees mainly affected the service units. We increased the number of employees in the operating divisions, especially in technical areas.

### Employee engagement

BASF can rely on the engagement of its employees. This is shown by a passion for the job, a dedication to top performance and a strong commitment to BASF. Global employee surveys and pulse checks are established feedback tools in the BASF Group and are used to actively involve employees in shaping their working environment. The results are communicated to employees, the Board of Executive Directors, the Supervisory Board and stakeholders. We have performed regular global employee surveys since 2008. We aim to keep the high level of employee engagement determined by these surveys and increase it even further as far as possible. As part

of the BASF strategy, we therefore set ourselves the following goal in 2018: More than 80% of our employees feel that at BASF, they can thrive and perform at their best. We regularly calculate the employee engagement level as an index score based on five questions on set topics in our employee surveys.

The most recent survey from 2020 revealed an engagement index of 82% (2019: 79%). Our aim is to keep this score above 80%. We support our leaders with a range of follow-up measures to centrally address individual action areas and in this way, help to further strengthen employee engagement together with their employees.

Pulse checks were carried out to identify and address employees' specific needs in 2021. For instance, employees in Germany were surveyed in the fall about their current work situation, flexible working, stresses caused by the coronavirus pandemic and team sentiment. Among other things, the results showed that employees feel safe working on-site and that employees who have been working flexibly since the start of the pandemic are coping well with it. We are deriving measures based on the findings to further improve, for example, cooperation and mutual understanding between employees who mainly work on-site and those who work flexibly. Regular global employee surveys remain a focus, and we plan to conduct the next survey in spring 2022.

### What we expect from our leaders

Our leaders and their teams should contribute to BASF's success. This is why we promote high-quality leadership and measure its impact. We understand impactful leadership as leaders that serve as role models by having a positive influence on the engagement and development of their employees, and developing and implementing business strategies in line with our corporate values. These expectations are part of the standard global nomination criteria for leadership positions. Our leadership culture is based on BASF's corporate values: creative, open, responsible and entrepreneurial – CORE. Our specific expectations of leaders' conduct are derived from these: The CORE Leadership Values serve as the guiding principles for all leaders and set out BASF's expectations of leadership behavior. They are aligned with BASF's strategic goals and reflect our company's leadership vision.

We offer our leaders a wide variety of learning and development opportunities for each phase of their career as well as various formats that enable them to learn from one another and external experts. Global, regional and local offerings are optimally coordinated. We aim to develop leaders who lead their teams with optimism, empathy and trust, and in this way, create a competitive advantage for BASF. In order to anchor the CORE Leadership Values in day-to-day life, an in-depth training course – CORE Leadership Upskilling – was offered in 2021. The virtual training comprised a series of modules that encouraged self-reflection and provided opportunities for global dialog. The training modules were initially

<sup>1</sup> At BASF, the apprenticeship program trains students for technical, scientific and business vocations as well as for trade and craft professions.

completed by all senior executives worldwide. Work in small, mixed groups aimed to deepen participants' understanding of the CORE Leadership Values, enable in-depth discussion of these and expand global networks. Since the fall of 2021, additional leadership levels have undergone training and activities modeled on CORE Leadership Upskilling.

Regular feedback plays an important role in the development of leaders. We have therefore adapted our global feedback tool to enable leaders to, in the future, even better reflect on how these values are anchored in their leadership behavior. Since 2020, various existing leadership development tools have been converted to virtual formats to optimally support our leaders – including during the challenging times of the coronavirus pandemic.

### Inclusion of diversity

The global character of our markets translates into different customer requirements. We want to reflect this diversity among our employees, too, because it enables them to better meet our customers' needs. For us, diversity means, among other things, having people from different backgrounds working at our company who can draw on their individual perspectives and skills to grow our business. By valuing and promoting employee diversity, we boost our teams' performance and power of innovation, and increase creativity, motivation and employees' identification with the company. Promoting and valuing diversity across all hierarchical levels is an integral part of our strategy and is also embedded in our corporate values. BASF strives to foster a working environment based on mutual respect, trust and appreciation. We expect inclusive conduct from all employees and our leaders. By this, we mean creating an environment in which different aspects of diversity and individual strengths are valued.

BASF has lived a diverse and appreciative corporate culture for years. The principles for fair and respectful conduct in the workplace were defined by BASF SE and the Works Council in 2021 with a new company agreement, "Partnerschaftliches Verhalten" ("Conduct based on partnership"). This provides a formal framework to maintain and further promote this culture in the future. BASF does not accept any form of discrimination and takes appropriate measures to protect employees from it. This includes the establishment of a commission with equal representation from the Works Council and the company as a point of contact for those affected. BASF also promotes diversity at the Ludwigshafen site in Germany with the inclusion action plan developed in 2021, putting the United Nations Convention on the Rights of Persons with Disabilities into practice. The action plan provides a framework to even better include people with disabilities. It covers all areas of working life: from vocational training and recruitment to employment and health management for people with disabilities. For example, the main building used for vocational training was retrofitted to enable an apprentice to access all areas with his wheelchair. Due to a serious private accident, he was unable to continue his original apprenticeship as a chemical

technician. Following a business internship, he was given the opportunity to train as an industrial commercial specialist. At the same time as the action plan, a new inclusion agreement between the company and the Works Council also came into force in 2021, regulating, for example, workplace design for people with disabilities, entitlement to additional leave or target group-specific health seminars.

Our leaders play an important role in promoting diversity and creating an inclusive work environment. We support them with various offerings, for example as part of leadership development. A toolbox with a wide range of content inspires a change of perspective and a podcast series from leaders shows the importance of appreciative, fair and inclusive leadership.

Integrating different perspectives is very important to BASF. There are a number of Employee Resource Groups around the world dedicated to different aspects of diversity. In addition, we want to create a greater awareness of diversity in our organization with various activities. BASF supports the German Diversity Charter and has participated in German Diversity Day and European Diversity Month with various virtual initiatives and offerings. At our Ludwigshafen site in Germany, we campaigned against racism and discrimination as part of the International Weeks Against Racism. BASF is one of approximately 150 companies that support the United Nations Global LGBTI (lesbian, gay, bi, trans and intersex) Standards of Conduct for business and has done so since 2018. As part of pride month, employees again promoted openness, acceptance and tolerance with many activities to support the LGBTI movement at various sites around the world.

📖 For more information on the participation of women in leadership positions, see page 54 onward

🌐 For more information on diversity and inclusion, see [basf.com/diversity](https://www.basf.com/diversity)

### Managing demographic change

Longer working lives and an aging employee population remain relevant issues, especially in Germany. This is aggravated by the loss of expertise caused by growing declines in production and technical areas. Our aim is to leverage our employees' many years of experience as best possible, to offer them an adequate working environment and in this way, enable them to contribute to BASF SE in all stages of life. We see digitalization as an opportunity to proactively shape the effects of demographic change here.

BASF SE manages demographic change with various measures to address the different challenges, including knowledge management, flexible working arrangements, age-appropriate workplaces, and health and exercise programs.

We want to ensure the availability of qualified employees and safeguard existing knowledge over the long term, especially in production and in technological and digital areas. We perform demographic analyses to make the demographic situation for different operational job profiles transparent for the responsible leaders. For plants and



job profiles with a particularly critical age structure, we derive specific measures such as offerings for succession planning or needs-based knowledge transfer and assisted knowledge handover.

We also meet the high demand for skilled workers with specific qualification programs. In addition to our apprenticeship program, in 2021 we were able to fill around 100 positions in BASF Jobmarket GmbH's four-year lateral entry program to fill vacancies in production, for example. In this program, experienced workers from other professions obtain further qualifications for working as a chemical technician. By recruiting young apprentices and experienced career changers, we ensure a balanced age structure among our junior specialists.

Mixed-age teams foster diversity at all levels within the company and benefit from the combination of different skills and perspectives, for example, by bringing together knowledge of digital tools with many years of experience in technical processes or operational procedures.

 For more information on health protection, see page 18 onward

## Competition for talent

Attracting and retaining the best employees is crucial to our success. Having an attractive and compelling total offer package for employees is becoming increasingly important given the strong global competition for the best qualified employees and leaders. This is why we are constantly working on measures to increase BASF's attractiveness in the global labor markets.

We are increasingly using digital platforms such as our country-specific career websites as well as global and regional social networks to reach potential candidates. This enables us to appropriately address different target groups.

In light of the coronavirus pandemic, we primarily used digital solutions for our talent search activities in 2021 and participated in a few in-person events. To also provide the best possible information on BASF as an employer virtually, we are continuously developing our digital presence. For example, we are represented at digital trade fairs and conferences, conduct digital excursions for students from various universities of sites in Germany, and organize expert lectures for future talent. This virtual contact enables a demand-oriented, flexible and location-independent approach. As a result, we were able to continue to attract and recruit talented employees.

In addition, we consistently take part in specific career events to directly reach and attract talent from various disciplines, especially female candidates. We focus in particular on our female employees as role models with various initiatives such as podcasts, career fairs and networking events aimed specifically at women, or on our social media channels.

In 2021, we established a digital onboarding process at BASF SE and a number of other sites for new employees and their managers in the period up to the first day of work and beyond. The aim is to ensure a successful first day at work and to build an early bond between the new colleagues and their future team at BASF, for example by sending video messages and information about the division and team. We want to continue to drive forward global implementation in 2022.

To combat the shortage of skilled workers in production and technical areas, due among other factors to demographic-related declines in Ludwigshafen, Germany, we have strengthened our social media presence, for example, to alert qualified specialists to new career prospects at BASF. In addition, we cooperate with local radio stations and the German employment agency to target skilled workers at informational events.

We once again achieved high scores in a number of employer rankings in 2021. For example, in a study conducted by Universum, young scientists ranked BASF as the second most attractive employer in Germany (2020: fifth).

## Vocational training

The heart of BASF's efforts to secure skilled labor is its training program, which combines future orientation and innovation with reliability and a long tradition. Training skilled workers is a key investment in BASF's competitiveness and future. Together with our partners, we provide individual support for our apprentices and prepare them for modern working life. We enable our apprentices to apply future-oriented technologies, working practices and methods, and we prepare them for the challenges of lifelong and independent learning. To continue to attract suitable candidates for apprenticeships at BASF in the future, we give school students in the career orientation phase insights into different training paths.

On-site career orientation events were limited in 2021 due to the pandemic. Consequently, existing online formats for the target group were further expanded and held in addition to face-to-face events, such as the digital apprenticeship info day, livestreams with apprentices, online job fairs and various webinars on career orientation. We ensured the best possible protection of apprentices and employees during practical on-site training with our infection prevention concept.

Digitalization is changing vocational training at BASF. Digital learning modules and methods are playing an increasingly important role in fostering individual learning. These proved especially useful during the coronavirus pandemic, when apprentices increasingly studied from home. It is the task of BASF vocational training to show them how to use new technologies and explore new ways of communicating knowledge. The vocational career path "industrial commercial specialist plus" (IK plus) was also enhanced and refined. From 2022,

under the IK plus pathway, prospective industrial commercial specialists will be able to specialize as European commercial specialists with extended foreign language skills or choose digitalization as a specialization. The focus here is increasingly on digital learning and working, digital technologies and business processes.

In order to meet the demand for skilled workers in technical professions, BASF offered, in addition to traditional vocational training, a one-year specialization program for electronics technicians who have completed vocational training for the first time in 2021. Alongside traditional dual vocational training, our Start program contributes to the social integration of low-achieving young people. For instance, 89 young people in the BASF Training Verbund participated in the Start in den Beruf program in 2021 in cooperation with partner companies in the Rhine-Neckar metropolitan region. The goal of the program is to prepare participants for a subsequent apprenticeship within one year, and ultimately secure the long-term supply of qualified employees for BASF SE and in the region as a whole. We spent around €2.4 million on the BASF Training Verbund in 2021.

BASF continues to provide high-level training at the Ludwigshafen site in Germany. In 2021, despite a challenging economic environment, BASF succeeded in keeping the total number of apprenticeships at the Ludwigshafen site constant and filling all available vocational program slots. After completing vocational training in 2021, 84% of apprentices at BASF SE received a job offer.

## Learning and development

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote continuous, self-directed learning and learning from others. Employee development at BASF is guided by the belief that talent is in everyone. This means that development opportunities and support are open to all employees.

In our understanding, there is more to development than a promotion or a job change – it encompasses the development of personal experience and abilities. In regular development meetings, which are held as part of our annual employee dialogs, employees outline ideas for their individual development together with their leaders and determine specific measures for further training and development, which focus on personal and professional competencies. Our learning activities follow the “70-20-10” philosophy: We apply the elements “learning from experience” (70%), “learning from others” (20%) and “learning through courses and media” (10%). Our learning and development offerings cover a range of learning goals: Starting a career, expanding knowledge, personal growth and leadership development.

Digital learning formats play an important role in our development offerings. Even before the coronavirus pandemic, training for leaders and employees was updated to meet the challenges of the digital transformation and modern working life with appropriate learning formats and content. For example, platforms such as the Digital Campus, Digitalization & Me and the Ways of Working portal were enhanced and refined to support employees in all aspects of virtual collaboration and in building their digital skills. The continuous development of our employees’ digital skills will remain crucial going forward. The portfolio includes offerings for self-directed learning, as well as individual consulting and support for teams and leaders around the digital transformation. Employees and leaders can also hold joint workshops in an avatar-based 3D working and learning environment. In addition, the many academies in the divisions and service units also offer training on specific professional content.

We enable our employees to take responsibility for their own professional development within the company with digital and novel offerings. To support multidisciplinary teams in the development of products, services or business models, workshops on design thinking empower participants to find creative and innovative solutions to complex problems. By providing interactive spaces, the concept also lends itself to hybrid working methods. This fosters an agile learning and working culture, which will ultimately also help us to master the digital transformation.

Against the backdrop of the digital transformation, we support our leaders in questions about shaping the working world of the future. For example, the #liveitleadit program provides insights into various areas of the organization and the opportunity to discuss topics such as hybrid working or living a failure culture.

The coronavirus pandemic has fundamentally changed how we work. That is why our Future of Work @ BASF initiative addresses the question of how our teams can find the right balance between on-site and remote working to continue to perform at their best in the future. Connectedness and close dialog remain our number one priorities – both are key to team spirit, creativity and innovation. The wide range of jobs, tasks and local conditions make different working models necessary. To reflect this, our local teams are developing tailored solutions within global guidelines that meet individual requirements. Workshop concepts and training support the process. One example is the Flex Work @ LU project at the Ludwigshafen site in Germany. The focus is on the shift toward greater flexibility as well as practical solutions on how to maintain and strengthen connectedness in an increasingly hybrid working environment – from new office concepts to IT solutions and tips for teamwork. The ideas are tested together with pilot units. Successful concepts are made available to all units at the site in the form of a toolbox.



## Compensation and benefits

We want to attract and retain engaged and qualified employees, and motivate them to achieve top performance with a total offer package that includes market-oriented compensation, individual development opportunities and a good working environment so that they contribute to the company's long-term success. Our employees' compensation is based on global compensation principles according to position, market and performance. As a rule, compensation comprises fixed and variable components as well as benefits that often exceed legal requirements. In many countries, these benefits include company pension benefits, supplementary health insurance and share programs. We regularly review our compensation systems at the global and local levels.

Representative analyses for BASF SE have shown that for comparable qualifications and positions, there is no systematic pay gap between men and women.

We want our employees to contribute to the company's long-term success. This is why the compensation granted to the vast majority of our employees includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles basically apply for all employees worldwide. The amount of the variable component is determined by economic success as well as the employee's individual performance. We use the BASF Group's return on capital employed (ROCE) to measure economic success for the purpose of variable compensation. This links variable compensation to our ROCE target.<sup>1</sup> Individual performance is assessed as part of a globally consistent performance management process.

In numerous Group companies, our "plus" share program ensures employees' long-term participation in the company's success through incentive shares. In 2021, for example, over 17,300 BASF SE employees (2020: around 20,800) participated in the "plus" share program.

Since 2020, BASF has offered senior executives the opportunity to participate in a long-term incentive (LTI) program<sup>2</sup> in the form of a performance share plan. The LTI program has a term of four years and takes into account the development of the total shareholder return. It incentivizes the achievement of strategic growth, profitability and sustainability targets. To take part in this program, participants must hold BASF shares, the amount of which is based on their individual fixed compensation. In 2021, around 91% of the people eligible to participate in the LTI around the world did so, holding between 30% and 70% of their fixed annual compensation in BASF shares.

For more information, see the Notes on page 74

## Personnel expenses

BASF SE spent €4,014 million on wages and salaries, social security contributions and expenses for pensions and assistance in 2021 (2020: €3,533 million). Personnel expenses thus rose by 13.6%. The increase in wages and salaries is primarily attributable to variable compensation.

Personnel expenses BASF SE		
Million €		
	2021	2020
Wages and salaries	3,130	2,839
Social security contributions and expenses for pensions and assistance	884	694
of which for pension benefits	392	257
<b>Total personnel expenses</b>	<b>4,014</b>	<b>3,533</b>

For more information, see the Notes on page 78

## Balancing personal and professional life

Our identity as an employer includes our belief in supporting our employees in balancing their personal and professional lives. We want to strengthen their identification with the company and our position in the global competition for qualified personnel. To achieve this, we have a wide range of offerings aimed at employees in different phases of life that accommodate the growing demand for flexibility in when and where they work. These include flexible working hours, part-time employment, remote working, and time off options that provide the necessary flexibility to care for children or family members. We are constantly working to expand these options and increasingly support the effective use of digital solutions here.

Our flexible tools proved helpful during the coronavirus pandemic. They help our employees to master the increased challenges around work and personal life during the pandemic and will continue to provide flexibility. We have developed a global policy and framework for the future of work to integrate the positive experiences from the surge in remote working into our working culture.

Regional initiatives specifically address the needs of our employees at a local level. For example, flexible co-working spaces in the Rhine-Neckar region in Germany were tested in pilot projects and a framework for potential future uses was developed.

Our Work-Life Management employee center in Ludwigshafen, Germany, (LuMit) offers a number of services under one roof: childcare, fitness and health, and social counseling and coaching offered by BASF Stiftung. Services were adapted so they could continue during the coronavirus pandemic based on the current coronavirus laws and local restrictions. By offering flexible all-day childcare, we want to make it easier for employees with children to return to work

<sup>1</sup> In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (for example, integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of +/-1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

<sup>2</sup> The LTI program referred to here is aimed at management levels 2 to 4 as well as individual employees who have attained senior executive status by virtue of special expertise.

more quickly and continue working for BASF SE, and to make the company an even more attractive employer for new employees. In 2021, childcare places and the related topic of childcare hours were newly regulated in the company agreement on childcare at BASF SE. We also provide employee assistance programs at other sites in Germany and around the world to help employees overcome difficult life situations and maintain and restore their employability. Social counseling and coaching also enabled employees and their families to receive extensive support during the coronavirus pandemic, for example by expanding telephone services.

### Dialog with employee representatives

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and continual dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. In the case of organizational changes or if restructuring leads to staff downsizing, for example, or in the case of codetermination-relevant topics, we involve employee representatives at an early stage to develop socially responsible implementation measures. In 2021, this happened in connection with the planned organizational realignment of research, for example. Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational conditions. The organizational protective measures taken during the coronavirus pandemic to date are backed by our employee representatives.

By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal conditions for each site. The BASF Europa Betriebsrat (European Works Council) addresses cross-border matters in Europe.

 For more information, see [basf.com/employeeerepresentation](https://basf.com/employeeerepresentation)

### International labor and social standards

We act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have 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 is committed to complying with these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the BASF guideline on compliance with international labor norms, which applies Group-wide. This guideline makes concrete the topics in our global Code of Conduct under "Human rights, labor and social standards" as these relate to our employees.

It forms the basis for our global, risk-based management process: We regularly monitor changes to the national law of all the countries in which BASF operates and evaluate our adherence to international labor and social standards. If the national law contains no or lower requirements, action plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is part of our central due diligence system. An additional component of our corporate due diligence is our training concept, which was enhanced and refined in 2021. It includes target group-specific training and e-learning modules as well as a global platform for internal dialog.

We monitor our voluntary commitment to international labor and social standards as part of our management process. As before, individual elements of the guideline are also reviewed as part of internal control processes such as Responsible Care audits at BASF Group companies. In addition to these quality assurance measures, compliance with international labor and social standards is an integral part of the standard questionnaire in the compliance management audits conducted by BASF's Corporate Audit department.

 For more information on our responsibility for human rights, see page 10 onward

 For more information on labor and social standards, see [basf.com/labor\\_social\\_standards](https://basf.com/labor_social_standards)

## Compliance

Compliance topics relevant to BASF SE are presented on pages 58 and 59 of this Management's Report.

## Compliance

**Our Group-wide Compliance Program aims to ensure adherence to legal regulations, the company's internal guidelines and ethical business practices. Our Code of Conduct firmly embeds these mandatory standards into our employees' day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.**

### Compliance Program and Code of Conduct

BASF's Compliance Program is based on our corporate values and voluntary commitments, as well as international standards. It describes our commitment to responsible conduct and expectations around how all BASF employees interact with business partners, officials, coworkers and the community. At the core of our Compliance Program is the global, standardized Code of Conduct. All employees and managers are obligated to adhere to its guidelines, which cover topics ranging from corruption and antitrust laws to human rights, labor and social standards, conflicts of interest and trade control, and protection of data privacy.

The revised 2020 version also offers our employees user-friendly features such as case studies, FAQs and additional references. The corresponding internal online platform and app are available to employees worldwide, providing them continuously with up-to-date content such as videos and links to other specialist units and guidelines as well as direct contact to subject specialists.

A new platform for publishing binding Group-wide governance documents (policies, corporate requirements) provides a more effective search function to make it easier for employees to find relevant regulations. In addition, the managing directors of BASF Group companies can now find important information and assistance on ensuring compliance in their Group companies on an internal website set up especially for them.

Abiding by compliance standards is the foundation of responsible leadership. This has also been embedded in our values. We are convinced that compliance with these standards will play a key role in securing our company's long-term success. Our efforts are principally aimed at preventing violations from the outset.

We perform a systematic risk assessment to identify the risk of compliance violations, including corruption risks. These are conducted at divisional, regional and country levels, with an additional focus on Group companies in 2021. The regular compliance audits performed by the Corporate Audit department are another source of information for the systematic identification of risks. These risks are documented in the relevant risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in the prevention of compliance violations is compulsory training and workshops held as classroom or online courses. All employees are required within a prescribed time frame to take

part in basic compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Newly appointed senior executives also receive special training on leading with integrity. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 53,000 participants worldwide received over 79,000 hours of compliance training in 2021.

For more information on the BASF Code of Conduct, see [basf.com/code\\_of\\_conduct](https://www.basf.com/code_of_conduct)

### Compliance culture at BASF

We firmly believe that for corporate responsibility to be a success, there must be an active culture of living these guidelines within the company. Our compliance standards were consolidated in the global Code of Conduct in 2013 and republished in June 2020 in our currently applicable global Code of Conduct. They are firmly established and recognized. We expect all employees to act in line with these compliance principles. Managers play a key role here – they serve as an example of and communicate our values and culture both internally and externally. To specifically address compliance and integrity as a leadership task, a workshop series was held in 2021 with more than 130 senior executives.

### Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. The CCO is supported in this task by the Compliance unit and more than 100 compliance officers worldwide in the regions and countries as well as in the divisions, service units and in the Corporate Center. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The CCO reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult their supervisors, specialist departments, such as the Legal department, and company compliance officers. The internal platform and the corresponding app also help employees to access advice by enabling direct contact. In addition, we have set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report potential violations of laws or company guidelines. We enhanced and standardized these hotlines in 2021. An independent external company was engaged to manage all hotlines. In the future, the cases reported will be recorded and processed in one global system. In addition to local phone numbers, a new website now also makes it possible to get in contact online using a computer or smartphone. All hotlines and the website are also open to the public.

Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2021, 277 reports were received by our external hotlines (2020: 387). The information received related to all categories of our Code of Conduct, including environmental and human rights issues, corruption and handling of company property. We carefully investigated all cases of suspected misconduct that came to our attention and, when necessary, took countermeasures on a case-by-case basis. These included, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. In such isolated cases, we took disciplinary measures in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success. In 2021, violations of our Code of Conduct led to termination of employment in a total of 32 cases (2020: 31). This relates to diverse employee groups, including executives.

BASF's Corporate Audit department monitors adherence to compliance principles, covering all areas in which compliance violations could occur. They check that employees uphold regulations and make sure that the established processes, procedures and monitoring tools are appropriate and sufficient to minimize potential risks or preclude violations in the first place. In 2021, 77 audits of this kind were performed Group-wide (2020: 61). Our compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in November 2018. Overall, the audits confirmed the effectiveness of the compliance management system. In cooperation with an external consulting firm, we developed a comprehensive action plan in 2021 to ensure the systematic, continuous optimization of the compliance management system.

We monitor our business partners in sales for potential compliance risks based on the global Guideline on Business Partner Due Diligence using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If business partners are not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities, and whether there are business processes with business partners from or in countries under embargo.

We support the United Nations' Guiding Principles on Business and Human Rights and are constantly working to enhance our internal guidelines and processes in keeping with these principles. For example, there is an internal guideline to respect international labor and social standards that is applicable throughout the Group. Outside of our company, too, we support respect for human rights and the fight against corruption. We are a founding member of the United Nations Global Compact. 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.

As prescribed by BASF's Code of Conduct and corporate values, we adhere to uniformly high standards and integrity regarding tax-related issues. To aid in the achievement of the U.N. SDGs and to meet our own standards for the creation of economic and social value, we contribute to public finances in accordance with legal requirements and our corporate values. BASF's Value to Society method considers taxes paid by BASF to be a social advantage. In 2020, we developed and published the BASF tax principles, which are binding for all Group entities.

 For more information on human rights and labor and social standards, see [basf.com/human\\_rights](https://basf.com/human_rights)



Attachment 2  
General Engagement  
Terms





# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

#### as of January 1, 2017

#### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

#### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

#### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

#### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

#### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

#### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

#### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

#### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

#### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.