

Welcome to your CDP Forests Questionnaire 2020

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

At BASF, we create chemistry for a sustainable future. As the world's leading chemical company, we combine economic success with environmental protection and social responsibility. More than 117 000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world.

As of 2019, BASF's activities have been grouped into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. In 2019, BASF posted sales of €59 billion, BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the U.S. Further information on BASF is available on the internet at www.basf.com.

We carry out our corporate purpose, "We create chemistry for a sustainable future", by pursuing ambitious goals along our entire value chain. In this way, we aim to achieve profitable growth and take on social and environmental responsibility. Our products, solutions and technologies contribute to achieving the United Nations' Sustainable Development Goals (SDGs).

Our leading position as an integrated global chemical company gives us the chance to make important contributions in the areas of resources, environment and climate, food and nutrition, and quality of life. Dealing with climate change is one of the major challenges to ensure a sustainable future. We recognize the importance of protecting the world's forests for the wellbeing of the environment and society and we acknowledge our responsibility as an actor in various value chains and therefore, strive to end deforestation within those.

Palm oil, palm kernel oil, and their derivatives are some of our most important renewable raw materials. We aim to ensure that these raw materials come from certified sustainable sources, and actively support the Roundtable on Sustainable Palm Oil (RSPO). In 2019, we published our third progress report – the BASF Palm Progress Report – for greater transparency in the value chain. Based on our voluntary commitment to sustainably sourced palm oil products, we purchased 140,400 metric tons of certified palm kernel oil in 2019. Representing 83.5% of our total volume of palm kernel oil. BASF's Palm Sourcing Policy addresses the requirements for protecting and preserving forests and peatland, as well as the involvement of local communities. At the same time, we are stepping up our efforts to improve transparency and traceability in the supply chain. We were most recently able to trace 90% of our overall oil palm exposure.

As BASF provides products and solutions for many industries, it is vital to additionally consider the potential impacts that the use of our products can have on forests. BASF provides many solutions for agriculture, including crop protection, nitrogen management, digital solutions, seeds and pest control to enable the sustainable intensification of agriculture by increasing productivity on existing land and by mitigating impacts on the environment, locally and globally. We thus actively contribute to decreasing the pressure to convert forests into arable land.

Livestock is fundamental to meeting the world’s growing demand for products of animal origin like meat, eggs and milk. However industrialized livestock farming substantially contributes to deforestation. BASF offers a range of feed additives (enzymes, vitamins, glycinates, organic acids) which make livestock farming more sustainable in particular by reducing the feed conversion rate and thereby improve nutrient and energy utilization from feed. By enabling sustainable intensification of livestock production, we contribute to reducing the pressure to convert forests into arable land or pastures.

We work collaboratively with value chain partners, governments and civil society to conserve forests. BASF partners with a variety of organizations, including Roundtable on Sustainable Palm Oil (RSPO), Forum Nachhaltiges Palmöl, and the High Carbon Stock Approach Steering Group to raise and increase awareness, drive the necessary market transformation and to achieve impact on the ground. Collaborative programs such as Mata Viva, an initiative established in Brazil to drive reforestation and preserve native forests demonstrate BASF's commitment to preventing deforestation and promoting reforestation.

Forward-Looking Statements: This document may contain forward-looking statements. These statements are based on current estimates and projections and currently available information. Future statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. We do not assume any obligation to update the forward-looking statements contained in this report.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	January 1, 2019	December 31, 2019

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

EUR

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization’s area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Not disclosing	Manufacturing	Our company purchases a range of renewable raw materials including lignosulphonates extracted from wood for the use as feedstock for various products. By purchasing volume and equivalent area of land needed to grow the raw material, the most relevant

			touchpoint for BASF is palm (kernel) oil in comparison to other renewable raw materials.
Palm oil	Disclosing	Manufacturing	
Cattle products	This commodity is not produced, sourced or used by our organization		
Soy	Not disclosing	Manufacturing	Our company purchases a range of renewable raw materials including soybean oil and derivatives for the use as feedstock for various products. By purchasing volume and equivalent area of land needed to grow the raw material, the most relevant touchpoint for BASF is palm (kernel) oil in comparison to other renewable raw materials.
Other - Rubber	This commodity is not produced, sourced or used by our organization		
Other - Cocoa	This commodity is not produced, sourced or used by our organization		
Other - Coffee	This commodity is not produced, sourced or used by our organization		

F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

No

F1. Current state

F1.1

(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

Palm oil

Activity

Using as input into product manufacturing

Form of commodity

- Crude palm oil (CPO)
- Crude palm kernel oil (CPKO)
- Refined palm oil
- Palm oil derivatives
- Palm kernel oil derivatives
- Other, please specify
 - Refined palm kernel oil

Source

- Trader/broker/commodity market
- Contracted suppliers (processors)
- Contracted suppliers (manufacturers)

Country/Area of origin

- Cambodia
- China
- Colombia
- Costa Rica
- Gabon
- Guatemala
- Honduras
- Indonesia
- Malaysia
- Papua New Guinea
- Solomon Islands
- Thailand
- Unknown origin

% of procurement spend

1-5%

Comment

Traceability to origin in volume terms is 90%, thus, 10% remain as unknown origin – but we do know the direct suppliers for which we not yet have the traceability information.

F1.2

(F1.2) Indicate the percentage of your organization’s revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

% of revenue dependent on commodity	Comment

Palm oil	1-5%	The estimation is based on the revenues we are generating with palm-based products in the Nutrition & Care unit which represent approximately 10% of BASF's total revenue. The Nutrition & Care unit processes most of the palm and palm kernel oil that we purchase.
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F1.5

(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

	Data availability/Disclosure
Palm oil	Consumption data available, disclosing

F1.5a

(F1.5a) Disclose your production and/or consumption data.

Forest risk commodity

Palm oil

Data type

Consumption data

Volume

382,002

Metric

Metric tons

Data coverage

Full commodity production/consumption

Please explain

F1.5b

(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Riau

% of total production/consumption volume

19.73

Please explain

This location covers 19.73% of the palm oil sourced by our business out of the total consumption volume.

The volume proportion is calculated by taking the standardized traceability information (Palm Oil Mill Name, Palm Oil Mill Owner, GPS Code = Industry Standard) of each palm oil raw material delivery and distributing the volume of this single delivery equally to each of the palm oil mills (GPS codes) associated with this single delivery. This approach enables the introduction of a volume-based sourcing priority classification.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Sumatera Utara

% of total production/consumption volume

8.78

Please explain

This location accounts for 8.78% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Kalimantan Tengah

% of total production/consumption volume

8.02

Please explain

This location accounts for 8.02% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Jambi

% of total production/consumption volume

4.8

Please explain

This location accounts for 4.80% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Sumatera Selatan

% of total production/consumption volume

4.41

Please explain

This location accounts for 4.41% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Kalimantan Barat

% of total production/consumption volume

2.79

Please explain

This location accounts for 2.79% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Kalimantan Timur

% of total production/consumption volume

2.55

Please explain

This location accounts for 2.55% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Sumatera Barat

% of total production/consumption volume

1.78

Please explain

This location accounts for 1.78% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Lampung

% of total production/consumption volume

1.26

Please explain

This location accounts for 1.26% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Bengkulu

% of total production/consumption volume

1.24

Please explain

This location accounts for 1.24% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Aceh

% of total production/consumption volume

1.19

Please explain

This location accounts for 1.19% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Bangka-Belitung

% of total production/consumption volume

1.19

Please explain

This location accounts for 1.19% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Kalimantan Selatan

% of total production/consumption volume

0.58

Please explain

This location accounts for 0.58% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Sulawesi Barat

% of total production/consumption volume

0.39

Please explain

This location accounts for 0.39% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Kalimantan Utara

% of total production/consumption volume

0.38

Please explain

This location accounts for 0.38% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Sulawesi Tengah

% of total production/consumption volume

0.12

Please explain

This location accounts for 0.12% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Irian Jaya Barat

% of total production/consumption volume

0.05

Please explain

This location accounts for 0.05% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Sulawesi Tenggara

% of total production/consumption volume

0.05

Please explain

This location accounts for 0.05% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Sulawesi Utara

% of total production/consumption volume

0.04

Please explain

This location accounts for 0.04% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Kepulauan Riau

% of total production/consumption volume

0.01

Please explain

This location accounts for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Gorontalo, Jawa Timur, Jawa Barat & Papua

% of total production/consumption volume

0.01

Please explain

These locations combined account for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers these locations.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Sabah

% of total production/consumption volume

12.74

Please explain

This location accounts for 12.74% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Sarawak

% of total production/consumption volume

4.23

Please explain

This location accounts for 4.23% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Johor

% of total production/consumption volume

1.05

Please explain

This location accounts for 1.05% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Perak

% of total production/consumption volume

1.01

Please explain

This location accounts for 1.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Pahang

% of total production/consumption volume

0.86

Please explain

This location accounts for 0.86% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Selangor

% of total production/consumption volume

0.23

Please explain

This location accounts for 0.23% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Negeri Sembilan

% of total production/consumption volume

0.21

Please explain

This location accounts for 0.21% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Kelantan

% of total production/consumption volume

0.18

Please explain

This location accounts for 0.18% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Trengganu

% of total production/consumption volume

0.14

Please explain

This location accounts for 0.14% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Kedah

% of total production/consumption volume

0.14

Please explain

This location accounts for 0.14% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Melaka

% of total production/consumption volume

0.04

Please explain

This location accounts for 0.04% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Pulau Pinang

% of total production/consumption volume

0.04

Please explain

This location accounts for 0.04% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Thailand

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Chumphon

% of total production/consumption volume

5.91

Please explain

This location accounts for 5.91% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Thailand

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Surat Thani

% of total production/consumption volume

0.06

Please explain

This location accounts for 0.06% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Thailand

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Krabi

% of total production/consumption volume

0.03

Please explain

This location accounts for 0.03% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Thailand

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Nakhon Si Thammarat, Trang, Phangnga & Samut Sakhon

% of total production/consumption volume

0.01

Please explain

These locations combined account for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers these locations.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Cesar

% of total production/consumption volume

0.84

Please explain

This location accounts for 0.84% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Meta

% of total production/consumption volume

0.5

Please explain

This location accounts for 0.50% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Magdalena

% of total production/consumption volume
0.45

Please explain

This location accounts for 0.45% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Santander

% of total production/consumption volume
0.28

Please explain

This location accounts for 0.28% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Casanare

% of total production/consumption volume
0.1

Please explain

This location accounts for 0.10% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Cundinamarca

% of total production/consumption volume

0.03

Please explain

This location accounts for 0.03% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Guatemala

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Izabal

% of total production/consumption volume

0.37

Please explain

This location accounts for 0.37% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Guatemala

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Alta Verapaz

% of total production/consumption volume

0.16

Please explain

This location accounts for 0.16% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Guatemala

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Petén

% of total production/consumption volume

0.09

Please explain

This location accounts for 0.09% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Guatemala

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Escuintla

% of total production/consumption volume

0.06

Please explain

This location accounts for 0.06% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Honduras

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Colón

% of total production/consumption volume

0.41

Please explain

This location accounts for 0.41% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Honduras

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Atlántida

% of total production/consumption volume

0.15

Please explain

This location accounts for 0.15% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Honduras

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Yoro

% of total production/consumption volume

0.02

Please explain

This location accounts for 0.02% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Papua New Guinea

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

West New Britain

% of total production/consumption volume

0.1

Please explain

This location accounts for 0.10% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Papua New Guinea

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Oro

% of total production/consumption volume

0.02

Please explain

This location accounts for 0.02% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Papua New Guinea

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Milne Bay

% of total production/consumption volume

0.01

Please explain

This location accounts for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Papua New Guinea

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Morobe

% of total production/consumption volume

0.01

Please explain

This location accounts for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Papua New Guinea

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

New Ireland

% of total production/consumption volume

0.01

Please explain

This location accounts for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers this location.

Forest risk commodity

Palm oil

Country/Area of origin

Gabon

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Ngounié & Estuaire

% of total production/consumption volume

0.01

Please explain

These locations combined account for 0.01% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers these locations.

Forest risk commodity

Palm oil

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

% of total production/consumption volume

0.08

Please explain

Costa Rica, China, & Solomon islands account for 0.08% of the palm oil sourced by our business out of the total consumption volume.

The traceability systems described in the first row covers these locations.

Forest risk commodity

Palm oil

Country/Area of origin

Unknown origin

State or equivalent jurisdiction

% of total production/consumption volume

10.04

Please explain

10.04% remain as unknown origin – but we do know the direct suppliers for which we not yet have the traceability information.

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?

No

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?

Yes, forests-related risks are assessed

F2.1a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

Palm oil

Value chain stage

Direct operations

Supply chain

Coverage

Full

Risk assessment procedure

Assessed as part of an established enterprise risk management framework

Frequency of assessment

Annually

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods

External consultants

Global Forest Watch Pro

Sustainability Policy Transparency Toolkit (SPOTT)

Other, please specify

HCS Approach, Together for Sustainability, RepRisk, Risk Matrix

Please explain

The sustainability-related topics relevant for BASF are addressed by the responsible operating divisions, functional units and the regions, which assess the risks identified as being relevant according to impact and probability of occurrence. We also systematically assess opportunities and risks with effects that cannot yet be measured in monetary terms, such as reputational risks. We minimize sustainability risks with our sustainability management tools. For instance, we have established global monitoring systems to verify compliance with laws and our voluntary commitments in this area. These also incorporate our suppliers. Our suppliers are evaluated based on risk due to the size and scale of our supplier portfolio. We define relevant suppliers as those showing an elevated sustainability risk potential as identified by our risk matrices and our purchasers' assessments. We also use further sources of information to identify relevant suppliers such as evaluations from Together for Sustainability (TfS). The TfS evaluation program is based on third-party online assessments and on-site audits and is simplified for both suppliers and TfS member companies by a globally uniform questionnaire. In addition, the service provider RepRisk provides us with ad-hoc information if any suppliers have been publicly observed in connection with negative sustainability incidents, including forest-related aspects. Explanation of why the tools or methods were chosen: In addition we use tools and services like publicly available SPOTT data, Global Forest Watch Pro (GFW Pro) online management, external consultants and HCS Approach to create a holistic picture in order to assess forest-related risks on many different levels. Furthermore, the topic of deforestation, loss of biodiversity and development of peatland are an explicit component of BASF's corporate forest positioning, of the BASF palm sourcing policy as well as part of the specific sourcing strategies, because of their potential to drive sustainability.

Case Study: CORE (Consortium of Resource Experts) prepared a Social and Environmental Risk Assessment to prioritize Sourcing Jurisdictions for BASF. This means that the consideration of forest related risks are present on all levels – corporate BASF positioning, value chain specific sourcing policy and implementation of the sourcing policy within the sourcing strategies.

F2.1b

(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?

Availability of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: BASF made a commitment to source only sustainable palm and palm kernel oil RSPO certified sustainable by 2020 and significant intermediates (incl. fractions as well as primary oleochemical derivatives plus vegetable oil esters) based on palm oil and kernel oil by 2025. Due to commitments by many major worldwide corporations to purchase or produce only sustainable palm oil, the availability of certified sustainable palm oil and palm kernel oil is limited and subject to significant fluctuations. Palm oil, palm kernel oil and its significant intermediates are part of several of BASF's segments and industries such as Industrial and Institutional Cleaning, Home Care, Personal Care, Human Nutrition and Technical Applications. A significant share of our products is based on renewable raw materials, of which a substantial ratio is oil palm-based. We are one of the major users of palm kernel oil and its derivatives and to a lesser extent palm oil. Hence, securing availability is of high importance when evaluating our suppliers.

Which tool was used in the assessment: Market intelligence combined with general certified statistical data publicly available from RSPO are used to estimate availability and market accessible volumes of certified sustainable material for risk assessment.

Quality of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: For our Home and Personal Care segment we offer a broad range of Mass Balance certified sustainable products that cover all major Personal Care functions: from consistency factors, emollients, emulsifiers, emulsion bases, surfactants, and thickeners, all the way to the main surfactants used in home care applications. Our ingredients are mainly based on palm kernel oil. We use palm-based oleochemicals and convert the oil using chemical processes, such as fractionating it into different C-chain lengths and adding different functional groups, until the final function is obtained – usually a surfactant or an emollient. This derivatization includes at least five or ten individual technological steps before the final ingredient is achieved. For the Human Nutrition segment, we offer vitamin A and D as well as carotenoids that are based on palm kernel oil derivatives. Furthermore, we offer our customers a wide range of palm oil based food performance ingredients that help to enhance the volume, taste and texture of baked goods, desserts

and ice creams. Our portfolio includes emulsifiers, our aerating system and our whipping agent. Due to the large variety of palm-based products and being part of different chemical processes, quality assurance is crucial to guarantee product quality and error-free manufacturing processes.

Which tool was used in the assessment: Every oil palm product shipment/delivery is based on standardized contract conditions and subject to goods inward quality inspection. For intercontinental bulk shipments (like Palm Kernel Oil, Coconut Oil) these inspections are in accordance with rules and regulations issued by the Federation of Oils, Seeds and Fats Associations (FOSFA International). All other oil palm product deliveries are subject to quality inspections according to the chemical and product specifications and delivery timings agreed with the supplier.

Impact of activity on the status of ecosystems and habitats

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: Oil palm plantations can contribute significantly to loss of biodiversity. BASF shares the widespread concern about the challenges and are committed to reducing the impact on the environment. Our primary concern is to ensure that our products are produced from sustainably sourced palm products. We see it as our responsibility to work intensively with the companies we buy our raw materials from, to engage more closely with the palm supply chain from the smallholder to the end consumer, and to address the consequences of using and selling products based on palm oil and palm kernel oil. We actively support the use of palm and palm kernel oil from sources certified by the Roundtable on Sustainable Palm Oil (RSPO). With our commitment to source only certified sustainable palm and palm kernel oil by 2020 and significant intermediates based on palm and palm kernel oil by 2025.

Which tool was used in the assessment: We mitigate loss of biodiversity and ensure sustainable management of natural resources in accordance with the RSPO principles and criteria for the production of sustainable palm oil by using several tools and services described in F2.1a, e.g. publicly available SPOTT data, Global Forest Watch Pro (GFW Pro) online management.

Regulation

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: The Board of Executive Directors is supported by Corporate Development and Legal and the Chief Compliance Officer. These units (among others) coordinate the risk management process at a Group level, examine financial and sustainability-related opportunities and risks, and provide the structure and appropriate methodology. Our Compliance

Management System is supported by additional compliance officers worldwide. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors. Our suppliers within our palm value chain are subject to audit schemes on compliance with different standards, e.g. ISO & RSPO certification. As defined in our Palm Sourcing Policy our relationship with suppliers is based on mutual trust and respect. Suppliers demonstrate their commitment to our goals through compliance with our sourcing policies. They work with us in a regular strategic dialog to address progress on the key elements listed in our Palm Sourcing Policy.

Which tool was used in the assessment: However, BASF may ask suppliers to verify their compliance through third-party assessments in on-site audits. The Together for Sustainability Initiative (TfS) is a joint initiative of chemical companies and plays a crucial role for the assessment of our palm value chain regarding compliance and regulations. The TfS evaluation program is based on third-party online assessments and on-site audits.

Climate change

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: As part of our analysis of sustainability-related opportunities and risks, we also consider the physical risks associated with climate change (such as damage to plants caused by external weather events) and transition risks (such as impairment due to emission levels of plants) as defined by the Task Force on Climate-related Financial Disclosures (TCFD). The development of oil palm plantations can contribute significantly to deforestation, loss of biodiversity and force climate change due to the loss of peatland. BASF shares the widespread concern about these issues and is committed to reduce the impact on the environment. We strive to collaborate with our suppliers to address the disconnects in the system to enable significant improvement in the sustainable supply of certified sustainable palm and palm kernel oil and its derivatives and co-create a shared solution to the palm dilemma. We want our supplier to work with us toward those improvements in the palm and palm kernel-based supply chain.

Which tool was used in the assessment: We expect our suppliers to increasingly address the key elements listed below in their supply chain:

- Support the industry standard to conserve and restore High Conservation Value (HCV) and High Carbon Stock (HCS) Areas.
- Develop new plantings in accordance with the HCS Approach Toolkit until convergence is found. Upon completion of the convergence process, we expect suppliers to support the new toolkit
- Promote the dialog toward a landscaping approach
- Abstain from development of peatland and maintain palm plantations on peatland in accordance with the RSPO Manual of Best Management Practices for Existing Oil Palm Cultivation on Peat.

Impact on water security

Relevance & inclusion

Relevant, always included

Please explain

Which tool was used in the assessment: Water risks are assessed as part of an enterprise risk management framework. The Tools and methods used are WRI Aqueduct, COSO Enterprise Risk Management Framework, Alliance for Water Stewardship Standard, European Water Stewardship (EWS), World Database on Protected Areas (WDPA), Community Advisory Panels (CAPs), Environmental Impact Assessment, Risk matrix and Together for Sustainability (TfS) evaluations, Maplecroft Risk Atlas, Procurement strategy template Most relevant risk fields that cover water-related risks for direct operations within the Enterprise Risk Management are “Plant availability”, “Change in production quality”, “Change in production cost”, “Regulation”, “Ecology and environmental protection”.

How the information about this issue is used internally for decision-making: The risk management is informed by the tools listed. Our suppliers are evaluated based on risk due to the size and scale of our supplier portfolio. We define relevant suppliers as those showing an elevated sustainability risk potential as identified by our risk matrices and our purchasers’ assessments. We also use further sources of information to identify relevant suppliers such as evaluations from Together for Sustainability (TfS). The TfS evaluation program is based on third-party online assessments and on-site audits and is simplified for both suppliers and TfS member companies by a globally uniform questionnaire. In addition, the service provider RepRisk provides us with ad-hoc information if any suppliers have been publicly observed in connection with negative sustainability incidents, including water-related aspects. Furthermore, the topic of water is an explicit component of BASF’s sourcing strategies, because of its potential to drive sustainability. This means that when elaborating a procurement strategy buyers are required to consider potential threats and opportunities related to water.

Tariffs or price increases

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: The management of commodity price risks takes place in the Procurement & Supply Chain Services functional unit or in appropriately authorized Group companies. As a part of risk management, activities in countries with transfer restrictions are continuously monitored. This includes, for example, regular analysis of the macroeconomic and legal environment, shareholders’ equity and the business models of the operating units. The chief aim is the reduction of counterparty, transfer and currency risks for the BASF Group.

Which tool was used in the assessment: Whenever possible we try to hedge

investments to reduce risk of adverse price movements in an asset or commodity. BASF sources mainly palm kernel oil, for which no financial hedging derivatives are available.

Loss of markets

Relevance & inclusion

Relevant, always included

Please explain

Which tool was used in the assessment and how the information about this issue is used internally for decision-making: Risk assessment is an integral part of the BASF management processes. Risks (including the risk of market loss) are evaluated, documented and reviewed on a regular basis. The key input factors for the risk of market losses are continuously monitored and counteractive measures are implemented.

Potential loss of market is driven by customers switching to certified material – this is a one way decision – customers will not switch back to conventional material – thus in a situation of missing availability at BASF the customers will turn somewhere else to secure their supply. In this area customers are very sensitive to align with partners being able to secure their supply. Therefore, a clear forecasting and alignment with the customers on their demand elements together with securing the supply of certified material for BASF will deliver on BASF palm commitment and will mitigate the risk of a potential market loss.

Brand damage related to forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: The sustainability-related topics relevant for BASF are addressed by the responsible operating divisions, functional units and the regions, which assess the risks identified as being relevant according to impact and probability of occurrence. We also systematically assess opportunities and risks with effects that cannot yet be measured in monetary terms, such as reputational risks. We minimize sustainability risks with our sustainability management tools.

Which tool was used in the assessment: For instance, we have established global monitoring systems to verify compliance with laws and our voluntary commitments in this area. These also incorporate our suppliers.

Corruption

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: Our efforts are principally aimed at preventing violations from the outset. We perform systematic risk assessments to identify the risk of compliance violations, including corruption risks. These are conducted at divisional, regional and country levels. The regular compliance audits performed by the Corporate Audit department are another source 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.

Which tool was used in the assessment: New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also environmental, social and corporate governance standards. Our Code of Conduct covers compliance with human rights, labor and social standards, and antidiscrimination and anticorruption policies in addition to protecting the environment. We specifically ask new raw materials suppliers to commit to the values of our Supplier Code of Conduct. Companies that do not accept our values are not taken on as new suppliers. BASF is a founding member of the Together for Sustainability (TfS) initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. The initiative aims to develop and implement a global program for the responsible supply of goods and services and improve suppliers' environmental and social standards. TfS has developed training for suppliers that already have a sustainability rating but have potential for improvement in environmental, social and corporate governance.

Social impacts

Relevance & inclusion

Relevant, always included

Please explain

How the information about this issue is used internally for decision-making: In Indonesia and Malaysia, small holder farmers account for 40% of the total area of planted oil palms and as much as 33% of the output. This means no sustainability policy and risk assessment can be effective without considering smallholders as a crucial part of the value chain. Sustainability certification, such as the RSPO, can be costly and difficult to achieve for smallholders. However, it is also high in demand and can provide premiums. This is why advocating smallholder farmers is of high importance for BASF, to improve their livelihood and enhance the living conditions of the people in the farming areas by improving agricultural practices, increasing yields and helping to preserve forests.

Which tool was used in the assessment: Since 2016, BASF has been collaborating with Henkel and the Solidaridad civil society organization to improve the livelihoods of palm oil smallholders in West Kalimantan, Indonesia. The project was implemented by Solidaridad in cooperation with Credit Union Keling Kumang (CUKK), a farming cooperative that unites more than 180,000 smallholder farmers in the region. BASF, The Estée Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production

supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Other, please specify

Relevance & inclusion

Please explain

F2.1c

(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

Customers

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment: The trust of customers and consumers is essential for the success of BASF. BASF's customer portfolio ranges from major global, customers and medium-sized regional businesses to local workshops. We align our business models and sales channels with the respective customer groups and market segments.

We consider potential forest related risks e.g. within the Home and Personal Care Industry linked to responsible sourcing of palm oil and palm kernel oil derivatives.

The method of engagement with the stakeholder: We established the BASF Palm Dialog as a platform to discuss topics relevant for the industry with representatives from the entire value chain including customers. Participants mainly confer about certification requirements, transparency on cost impact and public awareness of the supply chain from smallholders to end consumers.

Employees

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment: Our employees are fundamental to achieving the goals of our "We create chemistry" strategy. In keeping with our corporate strategy, we integrate sustainability including forest topics into our day-to-day business. Our employees work in interdisciplinary teams on innovative processes and products for a sustainable future. Our innovative strength lies in our global team of highly qualified employees with various specializations. The license to operate at the BASF production sites may be affected by a lack of awareness regarding environmental topics.

The methods used to promote increasing awareness towards environmental topics and continuous improvement of operational management include trainings of our employees, and a rigid quality and process management. Our Code of Conduct, which has to be acknowledged by all employees, specifies basic principles and rules for behaviour also in the field of Protection of Environment, Health and Safety. Our Issues Management experts monitor external campaigns and activity to spot forest-related risks using tools such as SigWatch.

Investors

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment: As a global industry leader, BASF is expected by investors to act proactively on the challenges of forest-related issues.

The method of engagement with the stakeholder: There is potential risk of exclusion from thematic funds based on ESG criteria: We are in close dialog with the capital market and rating agencies. We conduct roadshows and attend conferences across Europe to also meet with socially responsible investors (SRI). At these events, we discuss various sustainability topics including forests and BASF's approach towards these. among other topics. In addition, our SRI story covers environmental and supply chain related topics. The presentation is available on our website.

Local communities

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment: As a company in the chemical industry, we are aware of the particular responsibility we have towards the local communities around our sites. We aim at engaging openly with our neighbors in various forms of neighborhood dialogues.

The method of engagement with the stakeholder: Our different tools for community relations depend on the specific site context, among them Community Advisory Panels (CAP). Mostly used at larger production sites, a Community Advisory Panel is a continuous, long-term discussion forum for open dialog. It consists of a group of individuals who live near or around a chemical facility and who represent the fabric of their community. The CAP meets regularly to discuss issues of mutual interest. It is a forum for open and honest dialog between citizens and site management. The goal is to provide the community with the opportunity for direct involvement, while allowing us to better address the local expectations.

NGOs

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment and method of engagement: Non-governmental organizations (NGOs) are playing an increasingly important role in shaping public opinion as well as influencing public decisions. Systematic interaction with NGO is essential to obtain and maintain the social license-to-operate and thus help ensure long term business success.

The method of engagement with the stakeholder: We are active in worldwide initiatives with various stakeholder groups incl. NGOs. We draw on the competence of these global initiatives and networks and contribute our own expertise. We have been a member of the U.N. Global Compact since its establishment in 2000. As a recognized LEAD company, we contribute to the implementation of the Agenda 2030 and the associated goals. In addition, BASF is a founding member of a global sustainable finance initiative launched in December 2019 by a CFO taskforce. BASF is also active in 15 local Global Compact networks. BASF partners with a variety of organizations, including Roundtable on Sustainable Palm Oil (RSPO), Forum Nachhaltiges Palmöl, Brazilian Coalition on Climate, Forests and Agriculture and the High Carbon Stock Approach Steering Group where a constant dialogue with the NGOs takes place.

Other forest risk commodity users/producers at a local level

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment and method of engagement: For the palm value chain, we work closely with the companies we buy our raw materials from and with our customers. Beyond this, we support smallholders as an important link within the value chain. Since 2016, BASF has been collaborating with Henkel and the Solidaridad civil society organization to improve the livelihoods of palm oil smallholders in West Kalimantan, Indonesia. The project was implemented by Solidaridad in cooperation with Credit Union Keling Kumang (CUKK), a farming cooperative that unites more than 180,000 smallholder farmers in the region. The project aims to enhance the living conditions of the people in the farming areas by improving agricultural practices, increasing yields and helping to preserve forests. Almost 2,000 farmers have already participated in the so-called Farmer Field School program to date. BASF, The Estée Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers.

Regulators

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment and method of engagement: We engage in constant dialogue with our stakeholders including local authorities.

BASF is interested in maintaining a cooperative relationship with regulators. This helps to address and avoid any potential conflicts regarding forests, environmental topics etc. It also allows BASF to anticipate future trends and regulations, thus avoiding uncertainty in this area. Political dialog is part of good governance at BASF. We pursue a constructive dialog with its societal stakeholders to ensure and improve its license to operate and as part of its commitment to develop sustainable solutions together with partners. This exchange allows us to respond to the changes in our environment, helps us to understand trends and anticipate regulatory expectations and developments, in order to effectively advocate for and communicate our views. BASF is collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Suppliers

Relevance & inclusion

Relevant, always included

Please explain

Why these stakeholders are included in the risk assessment: Our suppliers are an important part of our value chain. Together with them, we aim to create value and minimize risks. Key aspects of our supplier management strategy are sustainability-oriented supply chain management and new goals for sustainability evaluations of relevant spend. We work together in an open and transparent way to generate long-term benefits for both sides. In doing so, we create value added that goes above and beyond procurement alone.

The method of engagement with the stakeholder: For example, we develop solutions to target market-specific customer requirements together with our suppliers. Our sustainability-oriented supply chain management contributes to risk management by clarifying our expectations and standards for our suppliers, and by supporting them in carrying out our requirements. We count on reliable supply relationships and want to make our suppliers' contribution to sustainable development transparent to us. By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend and will develop action plans where improvement is necessary. We will work towards having 80% of suppliers improve their sustainability performance upon re-evaluation. In 2019, 81% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2019, 52% had improved. The global targets are embedded in the personal goals of persons responsible for procurement.

Other stakeholders, please specify

Relevance & inclusion

Please explain

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Palm oil	Yes

F3.1a

(F3.1a) How does your organization define substantive financial or strategic impact on your business?

Deforestation and forest degradation are an element of BASF's risk management, which identifies and evaluates opportunities and risks as early as possible to take appropriate measures in order to seize opportunities and minimize risks. The aim is to avoid risks that pose a threat to BASF's continued existence and to make improved managerial decisions to create lasting value.

We understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals. We define opportunities as potential successes that exceed our defined goals. A specific risk or opportunity is considered as having a substantive impact, if the resulting deviation from planned earnings exceeds €2 million. We have further defined the magnitude of impact to be linked to the following net financial implications for BASF's EBIT: High = more than €100 million, Medium-high = €10-100 million, Medium = €2-10 million, Low-medium = less than €2 million and Low = insignificant. If a new risk is identified that could have an impact on earnings of more than €10 million or bears reputational risks, it must be immediately reported to the Board of Executive Directors.

Description of the quantifiable indicators used to define substantive impact:

(a) Potential financial implications for BASF: Depending on the nature of the risk or opportunity, different methods for quantification are considered. In case of a clear understanding about the direction of change driven by the risk/opportunity, the effects will be quantified based on expert assessments about the potential level of change and cause-effect-relationships. If the direction of change is unclear, i.e. the effect can be positive or negative and thus represents a volatility/uncertainty, a case-specific probability distribution over the impact range is estimated.

(b) Probability of occurrence: Financial impacts will only be considered where a risk or opportunity has a probability of occurrence of at least 1% or the potential to threaten BASF's license to operate. The method for estimation of probability depends on the nature of the risk or opportunity. In case that statistical data about the occurrence of the risk/opportunity are available (e.g. area of illegal deforestation), such information will be the basis for calculation of likelihoods. If no such statistical relationship can be relied on (e.g. when assessing the

probability of implementation of certain policy measures), likelihood will be subject to expert estimates. We classify probabilities as follows: low = less than 30%, medium = 30-70%, high = more than 70%.

Scope: The mentioned definitions and thresholds apply regardless to where in the value chain the risk/event is located, i.e. direct operations, supply chain, customers etc.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity

Palm oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Availability of certified sustainable material

Primary potential impact

Constraint to growth

Company-specific description

BASF has committed to source 100% RSPO certified palm and palm kernel oil by 2020 and to source 100% RSPO certified palm and palm kernel oil derivatives (Fatty Alcohols, Fatty Acids, Methylesters) by 2025. As in general the years 2020, 2022, 2023 are years of commitments of that kind, also in the industry by important players - it is unclear whether enough RSPO certified palm kernel oil will be available to serve all demands (currently the RSPO certified output is growing at a very small scale). The risks connected are twofold – physical availability as such and dramatically increased premiums to pay for securing BASF's demand on certified palm kernel oil and its derivatives. The consequence of insufficient physical availability would be that BASF is not able to serve the demands of their customers. This goes along with increased operational costs (premiums) which might endanger the competitiveness of BASF in the market and would lead to a loss of market share.

Timeframe

>6 years

Magnitude of potential impact

Medium-high

Likelihood

More likely than not

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)**Potential financial impact figure - minimum (currency)**

0

Potential financial impact figure - maximum (currency)

100,000,000

Explanation of financial

The financial impact is taken from a scenario where the premiums for RSPO certified material increase dramatically. In addition the lack of supporting some of our customers demands, due to lack of appropriate raw material is also considered in our calculation.

Primary response to risk

Supplier diversification

Description of response

Broadening of our supplier base for supplying RSPO certified palm products and engaging with our supplier on long term business relations / contracts to secure BASF's demand is an already implemented strategy and we effectively established long-term relationships with this strategy to mitigate and prevent reoccurring risks associated with the availability of certified sustainable raw materials. This targets to increase supplier intimacy and to establish BASF as a reliable and long-term partner. In addition we are working on alternative raw material solutions which are compliant with our palm commitment.

Cost of response

20,000,000

Explanation of cost of response

Supplier diversification and long term contracting diminished the negotiation power due to smaller volume allocation per supplier – estimation of costs ~2-3 million EUR / annum. In case of overcoming supply shortage of certified material by CNO – these potential costs are calculated to be 10 – 17 million EUR per annum.

Forest risk commodity

Palm oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Other reputational and market driver, please specify
BASF not delivering on its palm commitment

Primary potential impact

Brand damage

Company-specific description

BASF has publicly committed to source 100% RSPO certified palm and palm kernel oil by 2020 and to source 100% RSPO certified palm and palm kernel oil derivatives (Fatty Alcohols, Fatty Acids, Methylesters) by 2025. A failure to meet the timelines of the commitment and subsequently to continue the sourcing of 100% RSPO certified Palm Kernel Oil beyond 2020 and of Palm Kernel Oil Derivatives beyond 2025 will be a public topic and will damage the BASF brand with potential decrease in shareholder value and loss of social license to operate in palm (potential NGO activism).

Timeframe

>6 years

Magnitude of potential impact

High

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial

Primary response to risk

Description of response

All efforts are taken to secure meeting BASFs palm commitment. In addition potential additions to the BASF Palm commitment are evaluated which have the potential to compensate for inability to source all palm raw material 100% certified sustainable and to keep BASFs Social license to operate on Palm.

Cost of response

Explanation of cost of response

For the various responses to this risk a cost estimation of the response cannot be singled out and is not evaluated.

Forest risk commodity

Palm oil

Type of risk

Physical

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased severity of extreme weather events

Primary potential impact

Supply chain disruption

Company-specific description

BASF operates one of the biggest fatty alcohol plants in the world. The raw material supply of several 100 kt of palm kernel oil (and Coconut oil) to Reisholz (Düsseldorf) is implemented via barging along the river Rhine. Given the volume size to be transported and the involved transportation costs this is by far the most efficient way of transport. In the recent years we experienced increased frequency of low water levels along the river Rhine – being partially extremely low. In case of low water in the river Rhine the transportation costs are rising the lower the water level gets. At the same time the loading capacity of the Rhine barges decreases the lower the water level gets (down to 10% of their loading capacity) and at a certain point of low water level the barges can not operate at all. Already at the point where the barges are still operating but with substantially decreased capacity supply chain disruptions are present as no other logistic means is currently possible to compensate here. This can go as far as a shut down of operations as the raw material feed can not be replenished in time.

Timeframe

>6 years

Magnitude of potential impact

Medium-high

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)**Potential financial impact figure - minimum (currency)**

0

Potential financial impact figure - maximum (currency)

50,000,000

Explanation of financial

Low water levels in the Rhine increase the transportation costs for the barging of the raw materials. In case of a supply disruption the plant operations need to be reduced and less customer orders can be fulfilled. The financial scenario now tries to evaluate the impact of a period with increased transportation costs, reduced operations with a subsequent closure of the fatty alcohol plant for four weeks together with additional external raw material costs to cover production beyond the fatty alcohol plant as much as possible.

Primary response to risk

Other, please specify

Diversification of transportation means for Lauric supply into Düsseldorf

Description of response

In the course of diversification of transportation means of Laurics into Düsseldorf, BASF has increased the possibilities for deliveries of tank trucks and is evaluating other more efficient means of securing the Lauric oil supply into Düsseldorf.

Cost of response

12,000,000

Explanation of cost of response

Estimated costs of up to 12 million EUR are based on investments in additional unloading capacities for several different transportation means and their connection to the production plant and storage facilities.

F3.2

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Have you identified opportunities?

Palm oil	Yes
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F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.

Forest risk commodity

Palm oil

Type of opportunity

Markets

Where in your value chain does the opportunity occur?

Direct operation

Primary forests-related opportunity

Increased demand for certified materials

Company-specific description & strategy to realize opportunity

With estimates of palm oil being present in up to 70% of cosmetic products and over 50% of all supermarket products, palm oil is both extremely important to the supply chain and increasingly risky due to the potential for loss of consumer acceptance. Although not all consumers are currently aware of palm oil, those that are aware view it in a negative light, associating it with environmental destruction, human right abuses and climate change. As one of the leading global suppliers for personal care, home care, industrial & institutional cleaning, and technical applications as well as food performance and health ingredients, BASF is highly exposed to this risk. However, its position also provides an opportunity to benefit if it capitalizes on the opportunity to solidify its reputation as a supplier, that support the sustainability strategy of its customers with ingredients that are ecologically sourced, conserve resources or help avoid negative environmental or social impact. In 2014, supported by the agency Futureye, the BASF team started targeting for a social and economic license to operate our business linked to palm. The discussion led to a more comprehensive and shared understanding of the issues across the whole supply chain, including suppliers, consumer goods manufacturers, retailers, non-governmental organizations and industry associations. Our priority is to help our customers deal with the complexity of oleoderivatives and gain a better understanding on how to approach physical transformation towards sustainable palm. BASF has been continuously moving towards a comprehensive global product range that will allow consumer goods manufacturers to develop value added formulations that meet increasing demand for ingredients that are certified sustainable. To speed up that process, we have initiated a major shift of our specialty portfolio in 2018 and offer palm-based specialty ingredients for the personal care market exclusively RSPO certified sustainable. With this 'Time for Change' initiative, we broaden our portfolio offerings on certified sustainable and we aim to

provide our customers the ability to meet commitments they have made to their customers, consumers and stakeholders.

Estimated timeframe for realization

>6 years

Magnitude of potential impact

Medium-high

Likelihood

Likely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Consumers are increasingly demanding products, that are ecologically sourced, conserve resources or help avoid negative environmental or social impact. By implementing our palm commitment and increasing offer of sustainable certified products, we aim to provide our customers the ability to meet the commitments they have made to their customers, consumers and stakeholders, which leads to increased market share for our customers and therefore also for BASF. But as market success also depends on a combination of factors like quality, innovation, sustainability etc. it is not possible to estimate a financial impact figure out the opportunity for a single factor.

Forest risk commodity

Palm oil

Type of opportunity

Efficiency

Where in your value chain does the opportunity occur?

Supply chain

Primary forests-related opportunity

Increased shareholder value

Company-specific description & strategy to realize opportunity

With the “We create chemistry” strategy, BASF has set itself ambitious goals. We want to contribute to a world that provides a viable future with enhanced quality of life for

everyone and have embedded this into our corporate purpose: “We create chemistry for a sustainable future.” We do so by creating chemistry for our customers and society and by making the best use of available resources. To ensure sustainability and, thus, the interplay between ecological, economic and social issues, an ongoing dialog and cooperation are essential.

We engage intensively with our stakeholders at all levels of the supply chain to understand their needs and help them achieve their targets: suppliers, customers, civil society, associations and employees. As a founding member of the U.N. Global Compact, we support the implementation of the United Nations’ Sustainable Development Goals with our social commitment around the world.

For the palm value chain, this means we work closely with the companies we buy our raw materials from and with our customers. Beyond this, we support smallholders as an important link within the value chain. With the end consumer in view, we address the consequences of using and selling products based on palm and palm kernel oil. More and more investors want to invest in stocks of companies that conduct their business in accordance with the principle of sustainable development. This means that investment decisions are based on environmental and social aspects as well as economic performance. BASF shares are particularly attractive for such investors.

Estimated timeframe for realization

>6 years

Magnitude of potential impact

Medium-high

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)**Potential financial impact figure – minimum (currency)****Potential financial impact figure – maximum (currency)****Explanation of financial impact figure**

Attractiveness of BASF shares for investors depend on a combination of performance indicators, therefore it is not possible to calculate the financial impact to a single indicator.

F4. Governance

F4.1

(F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.1a

(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Director on board	<p>How the individual's responsibility is related to forests issues: A member of the Board of Executive Directors chairs BASF's Corporate Sustainability Board (CSB) the central steering committee for sustainable development, including forest related topics. It is composed of the heads of selected business, corporate and functional units as well as of regions. The CSB monitors the implementation of the sustainability strategy and cross-divisional initiatives, defines sustainability goals and approves corporate position papers on sustainability topics – including forest related topics.</p> <p>Example of forest-related decision made by the individual/committee: In 2019 the responsible Board member supported the development of a team to develop a position on deforestation for the BASF group. She steered the top management discussion in the CSB around this position and approved the Forest Protection Position in 2020.</p>

F4.1b

(F4.1b) Provide further details on the board's oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture	Description of the governance mechanisms: Our Management Board reviews at least annually major forest-related topics, e.g. Forest-related risks and opportunities, target performance, budgets for functions and business units involved in forest related topics and progress on specific measures supporting BASF's sustainability strategy. In

	<p>Overseeing major capital expenditures</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Reviewing and guiding corporate responsibility strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding strategy</p> <p>Reviewing innovation / R&D priorities</p> <p>Setting performance objectives</p>	<p>addition, depending on need investment decisions or specific action plans e.g. new R&D initiative are addressed: This range of topics ensures that oversight over forest related topics are covered from both an operational and a market-driven perspective, that the appropriate strategic decisions are made and that BASF meets its own commitments.</p> <p>The board also approves what is released regarding forest-related information, in our corporate report or the CDP questionnaire.</p> <p>Information on who briefs the board: A Board member chairs BASF’s Corporate Sustainability Board (CSB), which is BASF’s central steering committee for sustainable development, including forest related topics. It is composed of selected heads of business, corporate and functional units as well as of regions. The CSB monitors the implementation of the sustainability strategy and cross-divisional initiatives, defines sustainability goals and approves corporate position papers on sustainability topics.</p> <p>Examples from the reporting year: Volume of sustainable sourced palm(kernel) oil as part of process to approve the annual report.</p>
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F4.2

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Other C-Suite Officer, please specify Member of Board of Directors (BoD) is in charge of Chair Corporate Sustainability Board	Both assessing and managing forests-related risks and opportunities	Annually	<p>Description of the individual’s/committee’s position: Board member chairs the Corporate Sustainability Board (CSB).</p> <p>Description of the nature of the report: Corporate Sustainability Board (CSB) meets on a regularly basis about 4 times a year.</p>

			<p>Details on the forest-related responsibilities of the individual/committee selected: The CSB is BASF's central steering committee for sustainable development, including forest related topics.</p> <p>Rationale for having the responsibility for forest related issues at the position or the committee selected: The CSB monitors the implementation of the sustainability strategy and cross-divisional initiatives, defines sustainability goals and approves corporate position papers on sustainability topics.</p> <p>Rationale for the frequency of reporting to the board selected: Board member is briefed regularly on current and emerging forest related topics by Vice President Sustainability who covers these topics constantly as part of his responsibilities.</p>
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F4.3

(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

	Provide incentives for management of forests-related issues	Comment
Row 1	No, and we do not plan to introduce them in the next two years	

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p>	<p>BASF purchases a range of renewable raw materials. The commodities evaluated with high deforestation risks are palm (kernel) oil, soya oil and its derivatives, and lignosulphonates extracted from wood. By purchasing volume and equivalent area of land needed to grow the raw material, the most relevant touchpoint for BASF is palm (kernel) oil in comparison to other renewable raw materials, for which the detailed Palm Commitment has been in effect since 2011 and which is put into practice through our Palm Sourcing Policy accordingly. We want to ensure that the raw materials we use stem from sustainable, certified sources and actively support the Roundtable on Sustainable Palm Oil (RSPO) in alignment with our goal that all palm-based oils we purchase will be RSPO-certified and traceable by 2020. Our publicly available Palm Sourcing Policy further specifies key elements of our palm related sourcing and is based on our company-wide Supplier Code of Conduct. The development of oil palm plantations can contribute significantly to deforestation, loss of biodiversity and forcing climate change from the loss of peat land. We want our suppliers to work with us toward those improvements in the palm-based supply chain. We expect our suppliers to increasingly address key elements, such as supporting the process towards convergence to reach an enhanced industry standard to conserve and restore High Conservation Value (HCV) and High Carbon Stock (HCS) Areas, developing new plantings in accordance with the HCS Approach Toolkit (Forest Conservation), abstaining from development of peat land and maintaining palm plantations on peatland in accordance with the RSPO Manual of Best Management Practices for Existing Oil Palm Cultivation on Peat. Support the rigorous implementation of a free-prior-informed consent process and social impact assessments with regard to the development of plantings, promote upstream traceability and transparency to oil mill level and promote smallholder inclusion into certified supply chains. BASF's forest-related policies are subject to constant reviews by procurement and stakeholder management employees</p>

			and are updated based on new arising market and/or industry information.
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F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	Yes	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Commitment to stakeholder awareness and engagement Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests	BASF is one of the leading global suppliers for personal care, home care, industrial & institutional cleaning, and technical applications as well as for food performance and health ingredients. A significant share of our products is based on renewable raw materials, of which a substantial share is oil palm based. We use palm kernel oil and its derivatives for the above-mentioned industries. The publicly available BASF Palm Sourcing Policy further specifies key elements of our palm related sourcing and is based on our Supplier Code of Conduct. In 2019, around 5.3% of the raw materials we purchased worldwide were from renewable resources. Demand for certified products increased significantly again. As a result, in 2019 we increased sales volumes of certified palm oil and palm kernel oil-based products for the cosmetics and detergent and cleaning industries by more than 40% compared with the previous year. We want to ensure that the raw materials we use stem from sustainable, certified sources. The development of oil palm plantations can contribute significantly to deforestation, loss of biodiversity and forcing climate change from the loss of peat land. BASF shares the widespread concern about these issues. We expect our suppliers to increasingly address the

			<p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p>	<p>key elements, such as supporting the process towards convergence to reach an enhanced industry standard to conserve and restore High Conservation Value (HCV) and High Carbon Stock (HCS) Areas, developing new plantings in accordance with the HCS Approach Toolkit until convergence is found (Forest Conservation), abstaining from development of peat land, support the rigorous implementation of a free-prior-informed consent process and social impact assessments with regard to the development of plantings, promote upstream traceability and transparency to oil mill level and promote smallholder inclusion into certified supply chains. To take efforts beyond regulatory compliance we expect our suppliers to engage in a continuous enhancement process toward free and fair labor specific to oil palm, ensure fair smallholder treatment and engage in a consultative and transparent process for conflict resolution. BASF's forest-related policies are subject to constant reviews by procurement and stakeholder management employees and are updated based on new arising market and/or industry information.</p>
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F4.6

(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Yes

F4.6a

(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Other, please specify

Roundtable on Sustainable Palm Oil (RSPO), High Carbon Stock (HCS) Steering Group, Forum for Sustainable Palm Oil (FONAP), Polish Coalition on sustainable Palm Oil

F4.6b

(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Forest risk commodity

Palm oil

Criteria

No conversion of natural ecosystems
 Zero gross deforestation/ no deforestation
 No new development on peat regardless of depth
 Best management practices for existing cultivation on peat
 Restoration and compensation to address past deforestation and conversion
 Avoidance of negative impacts on threatened and protected species and habitats
 No land clearance by burning or clearcutting
 No conversion of High Conservation Value areas
 No conversion of High Carbon Stock forests
 Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
 Operations are in accordance with the UN Declaration on the Rights of Indigenous Peoples
 Adoption of the UN International Labour Organization principles
 Facilitate the inclusion of smallholders into the supply chain
 No sourcing of illegally produced and/or traded forest risk commodities
 Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2005

Commitment target date

2020

Please explain

When the Roundtable of Sustainable Palm Oil was set up in April 2004, BASF envisioned it as a milestone for the palm oil world. Consequently, BASF joined the RSPO in November 2004, very soon after the start. The BASF Palm Commitment was first published in 2011 and extended in 2015 to foster a market transformation towards sustainable palm oil production and usage. Key elements include a sourcing policy for oil palm-derived products that incorporates forest and peat conservation, as well as

requirements for a free, prior-informed-consent, social impact assessment, human and labor rights. We have committed ourselves to foster sustainable palm by procuring all oils only from RSPO certified sources by 2020 and expanding our oil commitments to significant intermediates based on palm oil and palm kernel by 2025. BASF supports initiatives to reflect integrated land use planning for oil palm development, including the conservation of high carbon stock and peatlands. We have integrated additional forest conservation requirements regarding these land types into our BASF Palm Sourcing Policy (as defined by the High Carbon Stock Approach). Additionally, we have incorporated requirements for a Free, Prior Informed Consent (FPIC) process as well as labor and human rights into our Palm Sourcing Policy. As part of its strategy, BASF has initiated its 'Time for Change' initiative in 2018 to offer its palm-based specialties exclusively as RSPO certified sustainable. Today, our experts continue to engage with numerous stakeholders along the value chain.

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	5-10	<p>When the Roundtable of Sustainable Palm Oil was set up in April 2004, BASF envisioned it as a milestone for the palm oil world. Consequently, BASF joined the RSPO in November 2004, very soon after the start. Since then, the RSPO has had a remarkable journey towards the sustainable certified production of palm and palm kernel oil.</p> <p>Case Study: The BASF Palm Commitment was first published in 2011 and extended in 2015 to foster a market transformation towards sustainable palm oil production and usage. We have committed ourselves to foster sustainable palm by procuring all oils only from RSPO certified sources by 2020 and expanding our oil commitments to significant intermediates based on palm oil and palm kernel by 2025.</p>
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	As one of the leading processors of palm (kernel) oil within the Home and Personal Care Industry, we regularly show the progress being made on our journey toward sustainable oil palm products. Our primary concern is to ensure that our products are produced from

			<p>sustainably sourced palm products. We see it as our responsibility to work intensively with the companies we buy our raw materials from, to engage more closely with the palm supply chain from the smallholder to the end consumer, and to address the consequences of using and selling products based on palm oil and palm kernel oil. In order to reach our long-term objectives and commitments BASF supports initiatives to reflect integrated land use planning for oil palm development, including the conservation of high carbon stock and peatlands. We have integrated additional forest conservation requirements regarding these land types into our BASF Palm Sourcing Policy (as defined by the High Carbon Stock Approach). Additionally, we have incorporated requirements for a Free, Prior Informed Consent (FPIC) process as well as labor and human rights into our Palm Sourcing Policy.</p> <p>Case Study: As part of its strategy, BASF has initiated its 'Time for Change' initiative in 2018 to offer its palm-based specialties exclusively as RSPO certified sustainable. Today, our experts continue to engage with numerous stakeholders along the value chain. In 2019, we published our third progress report (covering 2018) – the BASF Palm Progress Report – for greater transparency in the value chain. In order to better understand and quantify the environmental impacts of our commitments and objectives, we published our product carbon footprint (PCF) for sourcing certified sustainable palm kernel oil. Compared to conventionally sourcing, BASF saves more than 180,000 metric tons CO₂. RSPO-certified production of palm kernel oil shows around 36 percent lower global warming impact than non-certified production. The PCF is calculated according to the requirements and guidelines for quantification as stated in ISO “14067:2018-08 - Greenhouse gases – Carbon footprint of products”.</p>
Financial planning	Yes, forests-related issues are integrated	5-10	<p>BASF is one of the leading global suppliers for personal care, home care, industrial & institutional cleaning, and technical applications as well as for food performance and health ingredients. A significant share of our products is based on renewable raw materials, of which a substantial ratio is oil palm-based. We are one of the major users of palm kernel oil and its derivatives and to a lesser extent palm oil. We process those products into ingredients for the above-mentioned industries. BASF</p>

		<p>offers a very broad range of ingredients based on RSPO-certified sustainable palm kernel oil in accordance with its principles and criteria. Since launching certified ingredients in 2012, BASF has been continuously moving toward a comprehensive global product range that will allow consumer goods manufacturers to develop value added formulations that meet increasing demand for ingredients that are certified as sustainable. Transparently classifying our products on the basis of their contribution to sustainability by means of the Sustainable Solution Steering methodology enables us to systematically improve them.</p> <p>Case Study: Our Accelerator products, which also contain oil palm raw materials or RSPO certified oil palm raw materials make a substantial sustainability contribution in the value chain. Based on our corporate strategy, we have therefore set ourselves a global target: we will considerably increase the sales of Accelerator solutions to €22 billion by 2025 (2019: €15 billion). This target reflects our strong commitment to further drive innovation beyond today's state of the art. We have built an expert team to engage with stakeholders and implement our Palm Commitment. Our experts continue to engage with numerous stakeholders along the value chain, including our stakeholders who serve as important ambassadors for sustainable palm to create transparency and collaborate solutions.</p>
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F6. Implementation

F6.1

(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

Target reference number

Target 1

Forest risk commodity

Palm oil

Type of target

Third-party certification

Description of target

By 2020 – source only sustainable palm and palm kernel oil RSPO certified sustainable as far as available on the market. We are expanding our offering of certified sustainable products in accordance with the RSPO's Mass Balance supply chain model. In 2018, we have taken the decision to drive sustainable palm with a major portfolio shift. We will only offer palm-based ingredients for the personal care market that are certified as sustainable. This helps our customers to meet their obligations to customers, consumers and stakeholders. To fully complete the switch on a global level, BASF discusses with all its stakeholders to expand the demand for RSPO Mass Balance certified products. This is an important milestone for the cosmetics industry.

Linked commitment

Zero net/gross deforestation

Traceability point**Third-party certification scheme**RSPO Segregated
RSPO Mass Balance**Start year**

2015

Target year

2020

Quantitative metric**Target (number)****Target (%)**

100

% of target achieved

84.1

Please explain

When the Roundtable of Sustainable Palm Oil was set up in April 2004, BASF envisioned it as a milestone for the palm oil world. Consequently, BASF joined the RSPO in November 2004, very soon after the start. Since then, the RSPO has had a remarkable journey towards the sustainable certified production of palm and palm kernel oil and we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability.

How the company is planning to meet this target: The BASF Palm Commitment was first published in 2011 and extended in 2015 to foster a market transformation towards sustainable palm oil production and usage. Key elements include a sourcing policy for oil palm-derived products that incorporates forest and peat conservation as well as requirements for a free, prior-informed-consent, social impact assessment, human and labor rights. We have committed ourselves to foster sustainable palm by procuring all oils only from RSPO certified sources by 2020 and expanding our oil commitments to significant intermediates based on palm oil and palm kernel by 2025. We support progress in the palm oil sector by moving the supply chain toward certified products. In this way, we take part in global palm initiatives and in networks with various stakeholders in order to drive change for oleo-derivatives.

Target reference number

Target 2

Forest risk commodity

Palm oil

Type of target

Third-party certification

Description of target

By 2025 – expand these commitments to the significant intermediates based on palm oil and palm kernel oil. These include fractions as well as primary oleochemical derivatives plus vegetable oil esters. We are expanding our offering of certified sustainable products in accordance with the RSPO's Mass Balance supply chain model. In 2018, we have taken the decision to drive sustainable palm with a major portfolio shift. We will only offer palm-based ingredients for the personal care market that are certified as sustainable. This helps our customers to meet their obligations to customers, consumers and stakeholders. To fully complete the switch on a global level, BASF discusses with all its stakeholders to expand the demand for RSPO Mass Balance certified products. This is an important milestone for the cosmetics industry.

Linked commitment

Zero net/gross deforestation

Traceability point

Third-party certification scheme

RSPO Mass Balance

Start year

2015

Target year

2025

Quantitative metric**Target (number)****Target (%)**

100

% of target achieved

3.2

Please explain

When the Roundtable of Sustainable Palm Oil was set up in April 2004, BASF envisioned it as a milestone for the palm oil world. Consequently, BASF joined the RSPO in November 2004, very soon after the start. Since then, the RSPO has had a remarkable journey towards the sustainable certified production of palm and palm kernel oil and we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. The BASF Palm Commitment was first published in 2011 and extended in 2015 to foster a market transformation towards sustainable palm oil production and usage. Key elements include a sourcing policy for oil palm-derived products that incorporates forest and peat conservation as well as requirements for a free, prior-informed-consent, social impact assessment, human and labor rights. We have committed ourselves to foster sustainable palm by procuring all oils only from RSPO certified sources by 2020 and expanding our oil commitments to significant intermediates based on palm oil and palm kernel by 2025. We support progress in the palm oil sector by moving the supply chain toward certified products. In this way, we take part in global palm initiatives and in networks with various stakeholders in order to drive change for oleo-derivatives.

Target reference number

Target 3

Forest risk commodity

Palm oil

Type of target

Traceability

Description of target

By 2025 –we commit ourselves to source significant intermediates based on palm oil and palm kernel oil, that are traceable. This commitment include fractions as well as primary oleochemical derivatives plus vegetable oil esters.

Linked commitment

Zero net/gross deforestation

Traceability point

Mill

Third-party certification scheme**Start year**

2015

Target year

2025

Quantitative metric**Target (number)****Target (%)**

100

% of target achieved

82

Please explain

When the Roundtable of Sustainable Palm Oil was set up in April 2004, BASF envisioned it as a milestone for the palm oil world. Consequently, BASF joined the RSPO in November 2004, very soon after the start. Since then, the RSPO has had a remarkable journey towards the sustainable certified production of palm and palm kernel oil and we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. The BASF Palm Commitment was first published in 2011 and extended in 2015 to foster a market transformation towards sustainable palm oil production and usage. Key elements include a sourcing policy for oil palm-derived products that incorporates forest and peat conservation as well as requirements for a free, prior-informed-consent, social impact assessment, human and labor rights. We have committed ourselves to foster sustainable palm by procuring all oils only from RSPO certified sources by 2020 and expanding our oil commitments to significant intermediates based on palm oil and palm kernel by 2025. We support progress in the palm oil sector by moving the supply chain toward certified products. In this way, we

take part in global palm initiatives and in networks with various stakeholders in order to drive change for oleo-derivatives.

Target reference number

Target 4

Forest risk commodity

Palm oil

Type of target

Traceability

Description of target

By 2020 –we commit ourselves to source palm oil and palm kernel oil, that is traceable.

Linked commitment

Zero net/gross deforestation

Traceability point

Mill

Third-party certification scheme

Start year

2015

Target year

2020

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

100

Please explain

When the Roundtable of Sustainable Palm Oil was set up in April 2004, BASF envisioned it as a milestone for the palm oil world. Consequently, BASF joined the RSPO in November 2004, very soon after the start. Since then, the RSPO has had a remarkable journey towards the sustainable certified production of palm and palm kernel oil and we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group

Trade & Traceability. The BASF Palm Commitment was first published in 2011 and extended in 2015 to foster a market transformation towards sustainable palm oil production and usage. Key elements include a sourcing policy for oil palm-derived products that incorporates forest and peat conservation as well as requirements for a free, prior-informed-consent, social impact assessment, human and labor rights. We have committed ourselves to foster sustainable palm by procuring all oils only from RSPO certified sources by 2020 and expanding our oil commitments to significant intermediates based on palm oil and palm kernel by 2025. We support progress in the palm oil sector by moving the supply chain toward certified products. In this way, we take part in global palm initiatives and in networks with various stakeholders in order to drive change for oleo-derivatives.

Target reference number

Target 5

Forest risk commodity

Palm oil

Type of target

Engagement with smallholders

Description of target

We are targeting smallholder inclusion by supporting appropriate smallholder projects.

Linked commitment

Social commitments

Traceability point
Third-party certification scheme
Start year

2016

Target year

2019

Quantitative metric
Target (number)

4,752

Target (%)

% of target achieved

100

Please explain

Since 2016, BASF has been collaborating with Henkel and Solidaridad civil society organization to improve the livelihoods of palm oil smallholders in West Kalimantan, Indonesia. The project was implemented by Solidaridad in cooperation with Credit Union Keling Kumang (CUKK), a farming cooperative that unites more than 180,000 smallholder farmers in the region. The project aims to enhance the living conditions of the people in the farming areas by improving agricultural practices, increasing yields and helping to preserve forests.

F6.2

(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Palm oil	Yes	<p>The physical market transformation based on the RSPO certification is an important element on our journey toward sustainable palm. In addition, traceability is the tool which helps companies along the palm oil supply chain to identify the origin of the oil sourced.</p> <p>In general the traceability system used is set up by compiling all traceability information from all palm oil raw material supply for BASF (a list of palm oil mills for each supply) – this results in general in the overall global BASF palm oil mill list. In addition, BASF introduces a volume-based sourcing priority classification. For this, the commodity volume proportion per palm oil mill is calculated by taking the standardized traceability information (Palm Oil Mill Name, Palm Oil Mill Owner, GPS Code = Industry Standard) of each palm oil raw material delivery and distributing the volume of this single delivery equally to each of the palm oil mills (GPS codes) associated with this single</p>	Specific supplier(s)	In 2019 traceability to origin in volume terms is 90%, thus 10% remain as unknown origin – but we do know the direct suppliers for which we not yet have the traceability information.

		<p>delivery. This approach enables the introduction of a volume-based sourcing priority classification.</p> <p>To provide an example: BASF is connected to 37 provinces in Indonesia and Malaysia and we source approx. 80.3% of our traceable raw material from those two countries.</p>		
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F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Palm oil	Mill	90
Palm oil	First importer	10

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Mass Balance

Certification coverage

Consumption volume

% of total production/consumption volume certified

41

Form of commodity

- Crude palm oil (CPO)
- Crude palm kernel oil (CPKO)
- Palm oil derivatives
- Palm kernel oil derivatives

Volume of production/ consumption certified

156,752

Metric

Metric tons

Please explain

Following the adoption of the P&C 2018 on 15 November 2018, the RSPO procedures and standards are continual updated to cater an increasing degree of distributed management for it to keep pace. This includes the need to revise the RSPO Supply Chain Certification Standard 2014 (Revised 2017).

Actions taken in the last year to improve and/or maintain the third-party certification system in place/Case Study: On 1 February 2020 the revised RSPO Supply Chain Certification Standard was endorsed by the RSPO Board of Governors. The revised document is the result of an extensive review, integrating and updating the practices and procedures related to Supply Chain Certification (SCC) by the Supply Chain Certification Task Force since April 2019. BASF was member of this Supply Chain Certification Task Force. The revised RSPO SCC Standard and Systems documents enhance the assurance of the chain of custody of RSPO certified materials along the supply chain.

Since launching certified ingredients in 2012, BASF has been continuously moving toward a comprehensive global product range that will allow consumer goods manufacturers to develop value added formulations that meet increasing demand for ingredients that are certified sustainable. To speed up that process, we have initiated a major shift of our specialty portfolio in 2018 and offer palm-based specialty ingredients for the personal care market exclusively RSPO certified sustainable. In 2019 we continued our 'Time for Change' initiative to broaden our portfolio offerings on certified sustainable according to the Mass Balance supply chain model and we aim to provide our customers the ability to meet the commitments they have made to their customers, consumers and stakeholders.

BASF also supports the RSPO Segregated certification scheme by purchasing some volumes according to RSPO Segregated certification scheme. We downgrade these RSPO Segregated volumes and offer Mass Balance certified sustainable products. The RSPO Mass balance certification scheme represents the greatest certified volume for our palm-based products.

F6.4

(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

A system to control, monitor or verify compliance	
Palm oil	Yes, we have a system in place for our no conversion and/or deforestation commitments

F6.4a

(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).

Forest risk commodity

Palm oil

Operational coverage

Supply chain

Description of control systems

Our suppliers might demonstrate their commitment to our goals through compliance with our Palm Sourcing Policy and Supplier Code of Conduct. Our suppliers will work with us in a regular strategic dialogue to address progress on the key elements regarding compliance, progress and commitments. However, BASF may ask suppliers to verify their compliance through third party assessments in on-site audits. The Together for Sustainability (TfS) evaluation program is based on third-party online assessments and on-site audits of a company's sustainability practices. The audits are performed by independent audit companies from a TfS pre-approved auditor pool. Within the TfS audit process the supplier's sustainability performance is verified against a predefined set of audit criteria on management, environment, health & safety, labor & human rights, and governance issues.

Monitoring and verification approach

Geospatial monitoring tool

Third-party verification

% of total volume in compliance

81-90%

% of total suppliers in compliance

71-80%

Response to supplier non-compliance

Retain & engage

Suspend & engage

Exclude

Procedures to address and resolve non-compliance with suppliers

Developing time-bound targets and milestones to bring suppliers back into compliance
Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics

Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

Please explain

BASF is monitoring public campaigns and RSPO case tracker on a monthly basis. For every grievance received by BASF, the credibility and validity of the grievance needs to be evaluated in order to determine whether to pursue the grievance with suppliers. When grievance is addressed BASF will check if sufficient information is provided in grievance trackers. If information is not sufficient, BASF will follow-up with supplier to address the gaps and may need to support them with identifying experts, root causes and actions to take.

Once action plan is provided, BASF will evaluate if it is aligned with its expectations. Where further clarifications are required or where action/engagement plans are not considered adequate, BASF will follow up. If the action plan is not approved by relevant parties, BASF needs to assess whether it is an important supplier and decide whether to undertake further engagement to ensure resolution process progresses or to engage direct supplier to suspend or shift volumes to other third party suppliers or to BASF itself suspend or shift volumes from the direct supplier.

If the action plan is approved, BASF will inform grievance raiser, and continue to monitor, with the possibility of additional engagement. Percentage of total volume in compliance is based on the total volumes already certified and traceable. This does not imply that the remaining percentage of consumption volume is not in compliance.

F6.6

(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.

Assess legal compliance with forest regulations	
Palm oil	Yes, from suppliers

F6.6a

(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.

Palm oil

Procedure to ensure legal compliance

The palm raw materials BASF is sourcing comply with RSPO, ISPO and MSPO standards which include regular audits to renew compliance with these standards. These standards ensure amongst other that agricultural standards set by the government and standard specific requirements are kept and controlled. ISPO aims to improve the sustainability of the Indonesian palm oil industry. It is mandatory for all oil palm growers operating in Indonesia. Because of its national reach, ISPO has the potential to improve the entire Indonesian plantation industry. The MSPO aligns the management of palm oil production with many existing national laws and regulations, it is not mandatory. The standard was launched in order to help small and mid-range growers, who could not afford RSPO certification, to operate sustainably. RSPO is the main certification standard for the use of oil palm and its fractions. It

requires that companies abide by national laws and requirements and in some instances to go far beyond what national law dictates.

Country/Area of origin

Indonesia

Malaysia

Law and/or mandatory standard(s)

ISPO

MSPO

Comment

The palm raw materials BASF is sourcing comply with RSPO, ISPO and MSPO standards which include regular audits to renew compliance with these standards. These standards (among others) ensure, that agricultural standards set by the government and standard specific requirements are kept and controlled.

F6.7

(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Palm oil	Yes, working with independent smallholders	Capacity building	Offering on-site technical assistance and extension services Providing agricultural inputs Organizing capacity building events Investing in pilot projects	8,600	No palm sustainability progress can be effective without considering smallholders as a crucial part of the palm value chain. Smallholder farmers produce around 40 percent of the world’s palm oil; their families depend on palm oil for their livelihood. Sustainability certification, such as the RSPO, can be costly and difficult to achieve for smallholders. However, it is also high in demand and can provide premiums. As the connecting link between suppliers of palm kernel oil and our customers, smallholder inclusion is one pillar of our palm

				<p>commitment. Since 2016, BASF has been collaborating with Henkel and the Solidaridad civil society organization to improve the livelihoods of palm oil smallholders in West Kalimantan, Indonesia. The project was implemented by Solidaridad in cooperation with Credit Union Keling Kumang (CUKK), a farming cooperative that unites more than 180,000 smallholder farmers in the region. The project aims to enhance the living conditions of the people in the farming areas by improving agricultural practices, increasing yields and helping to preserve forests. Through train the trainer already 8600 farmers could be reached. Participants see their yield increase and spend less on agricultural inputs - a win-win situation for the farmers and the environment. This project has been finalized in 2019. In a second continuous project BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil, are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to</p>
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					<p>improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years.</p>
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F6.8

(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Palm oil	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Developing or distributing supply chain mapping tool Supplier audits Offering on-site training and technical assistance Organizing capacity building events	81-90%	Main strategy: Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, technical goods and services at competitive prices. We work together in an open and transparent way to generate long-term benefits for both sides. In doing so, we create value added that goes above and beyond procurement alone. Our more than 75,000 Tier 1 suppliers of which are approx. 300 involved in our palm value chain play a significant role in value creation at our company (number of direct suppliers engaged). We work in long-term

			<p>Investing in pilot projects</p> <p>Long-term contracts linked to forest related commitments</p>	<p>partnership with companies from different industries around the world. Due to the size and scale of our supplier portfolio, our suppliers are evaluated based on risk, including both country and industry-specific risks. 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 and will develop action plans where improvement is necessary. We will work towards having 80% of suppliers improve their sustainability performance upon re-evaluation.</p> <p>Case study of direct supplier engagement activities completed in the last reporting year: In 2019, 81% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2019, 52% had improved. The global targets are embedded in the personal goals of persons responsible for procurement.</p>
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F6.9

(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Palm oil	Yes, working	Supply chain mapping Capacity building	Developing or distributing	Since 2016 and continuously until and in 2019, BASF has been collaborating with Henkel and the Solidaridad civil society

	beyond first tier		<p>supply chain mapping tools</p> <p>Offering on-site training and technical assistance</p> <p>Participating in workshops</p> <p>Investing in pilot projects</p>	<p>organization to improve the livelihoods of palm oil smallholders in West Kalimantan, Indonesia. The project was implemented by Solidaridad in cooperation with Credit Union Keling Kumang (CUKK), a farming cooperative that unites more than 180,000 smallholder farmers in the region. The project aims to enhance the living conditions of the people in the farming areas by improving agricultural practices, increasing yields and helping to preserve forests. More than 2,000 farmers have already participated in the so-called Farmer Field School program to date. The courses place an equal focus on efficient production, sustainable farming methods and occupational health and safety standards. Farmers are taught how to make better use of their land without opening up new plantations. They learn about the role that forests and peatlands play for wildlife, indigenous people and the environment, and about the entire palm oil supply chain. Participants see their yield increase and spend less on agricultural inputs - a win-win situation for the farmers and the environment. In a second project BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil</p>
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				production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers and ultimately reduce risks by improving availability and quality of certified purchasing.
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F6.10

(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

UN Global Compact

Roundtable on Sustainable Palm Oil (RSPO)

High Carbon Stock Approach Steering Group

Forum for Sustainable Palm Oil (FONAP)

Other, please specify

Polish Coalition for Sustainable Palm Oil (PKZOP)

Jurisdictional approaches

Please explain

BASF takes part in global palm initiatives and in networks with various stakeholders in order to drive change towards certification. BASF became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2004. Since then, we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. In order to leverage industry activities to stop deforestation, BASF became a member of the High Carbon Stock (HCS) Steering Group in 2016 and has since integrated the criteria of the HCS Approach into our Palm Sourcing Policy. BASF stepped up its commitment to certified sustainable oil palm products in the German, Austrian and Swiss markets by joining the Forum for Sustainable Palm Oil (FONAP) in 2017 as a manufacturer of oleo derivatives (category "Supporter"). In 2019, BASF signed together with other eleven founding members the Declaration of "Polish Coalition for Sustainable Palm Oil (PKZOP)". The PKZOP (officially known Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego) is

an independent Coalition and aimed at achieving 100% sustainable palm oil in Poland by 2023. It consists of twelve non-profit and non-governmental organizations, certification agencies, food and beverage, cosmetics, and chemical companies in the country. Jurisdictional approach: BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in jurisdictional approaches

Initiatives

Jurisdictional approaches

Other, please specify

Partnership for a sustainable palm project in Lampung, Indonesia

Please explain

Jurisdictional approach: BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with policymakers or governments

Initiatives**Jurisdictional approaches****Please explain**

BASF takes part in global palm initiatives and in networks with various stakeholders in order to drive change towards certification. BASF became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2004. Since then, we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. In order to leverage industry activities to stop deforestation, BASF became a member of the High Carbon Stock (HCS) Steering Group in 2016 and has since integrated the criteria of the HCS Approach into our Palm Sourcing Policy. BASF stepped up its commitment to certified sustainable oil palm products in the German, Austrian and Swiss markets by joining the Forum for Sustainable Palm Oil (FONAP) in 2017 as a manufacturer of oleo derivatives (category "Supporter"). In 2019, BASF signed together with other eleven founding members the Declaration of "Polish Coalition for Sustainable Palm Oil (PKZOP)". The PKZOP (officially known Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego) is an independent Coalition and aimed at achieving 100% sustainable palm oil in Poland by 2023. It consists of twelve non-profit and non-governmental organizations, certification agencies, food and beverage, cosmetics, and chemical companies in the country. Jurisdictional approach: BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in industry platforms

Initiatives

Jurisdictional approaches

Please explain

BASF takes part in global palm initiatives and in networks with various stakeholders in order to drive change towards certification. BASF became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2004. Since then, we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. In order to leverage industry activities to stop deforestation, BASF became a member of the High Carbon Stock (HCS) Steering Group in 2016 and has since integrated the criteria of the HCS Approach into our Palm Sourcing Policy. BASF stepped up its commitment to certified sustainable oil palm products in the German, Austrian and Swiss markets by joining the Forum for Sustainable Palm Oil (FONAP) in 2017 as a manufacturer of oleo derivatives (category "Supporter"). In 2019, BASF signed together with other eleven founding members the Declaration of "Polish Coalition for Sustainable Palm Oil (PKZOP)". The PKZOP (officially known Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego) is an independent Coalition and aimed at achieving 100% sustainable palm oil in Poland by 2023. It consists of twelve non-profit and non-governmental organizations, certification agencies, food and beverage, cosmetics, and chemical companies in the country. Jurisdictional approach: BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with communities

Initiatives

Jurisdictional approaches

Please explain

BASF takes part in global palm initiatives and in networks with various stakeholders in order to drive change towards certification. BASF became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2004. Since then, we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. In order to leverage industry activities to stop deforestation, BASF became a member of the High Carbon Stock (HCS) Steering Group in 2016 and has since integrated the criteria of the HCS Approach into our Palm Sourcing Policy. BASF stepped up its commitment to certified sustainable oil palm products in the German, Austrian and Swiss markets by joining the Forum for Sustainable Palm Oil (FONAP) in 2017 as a manufacturer of oleo derivatives (category "Supporter"). In 2019, BASF signed together with other eleven founding members the Declaration of "Polish Coalition for Sustainable Palm Oil (PKZOP)". The PKZOP (officially known Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego) is an independent Coalition and aimed at achieving 100% sustainable palm oil in Poland by 2023. It consists of twelve non-profit and non-governmental organizations, certification agencies, food and beverage, cosmetics, and chemical companies in the country.

Jurisdictional approach: BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with non-governmental organizations

Initiatives

Jurisdictional approaches

Please explain

BASF takes part in global palm initiatives and in networks with various stakeholders in order to drive change towards certification. BASF became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2004. Since then, we have actively participated in consultations within the organization, most notably in the subgroup oleochemicals and derivatives under the RSPO working group Trade & Traceability. In order to leverage industry activities to stop deforestation, BASF became a member of the High Carbon Stock (HCS) Steering Group in 2016 and has since integrated the criteria of the HCS Approach into our Palm Sourcing Policy. BASF stepped up its commitment to certified sustainable oil palm products in the German, Austrian and Swiss markets by joining the Forum for Sustainable Palm Oil (FONAP) in 2017 as a manufacturer of oleo derivatives (category "Supporter"). In 2019, BASF signed together with other eleven founding members the Declaration of "Polish Coalition for Sustainable Palm Oil (PKZOP)". The PKZOP (officially known Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego) is an independent Coalition and aimed at achieving 100% sustainable palm oil in Poland by 2023. It consists of twelve non-profit and non-governmental organizations, certification agencies, food and beverage, cosmetics, and chemical companies in the country. Jurisdictional approach: BASF, The Estee Lauder Companies and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports 1,000 independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil. It offers continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that at least one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

F6.11

(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

F6.11a

(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Project reference

Project 1

Project type

Reforestation

Primary motivation

Voluntary

Description of project

In 1984, BASF established the Mata Viva® initiative in Brazil to protect water quality, conserve soil, and create areas to preserve native vegetation and wild life. The team's first major achievement was to restore 128 hectares of forest along the Paraíba do Sul River, near the company's South American chemical complex at Guaratinguetá. Over the years, the initiative restored more than 730 hectares and planted more than 1200000 seedlings.

Mata Viva® flourished, attracting a broad range of partners from the agricultural, business and scientific communities, all united in their desire to foster biodiversity.

In 2005, the Espaço ECO Foundation – set up by BASF with the support of the German government – assumed responsibility for the program. At this point, Mata Viva® began to engage directly with farmers and agricultural communities. The program is available in about 153 municipal areas across Brazil. Realizing that education was the catalyst for long-term change, Mata Viva® developed an educational module to show future farmers how they could build a vital community by practicing conservation and sustainable land-use techniques. More than 2800 teachers were trained and 230000 students have benefited.

Start year

1984

Target year

Indefinitely

Project area to date (Hectares)

730

Project area in the target year (Hectares)

730

Country/Area

Brazil

Latitude

-22.4637

Longitude

-45.1054

Monitoring frequency

Annually

Measured outcomes to date

Other, please specify
Hectares restored, Seedlings planted

Please explain

Mata Viva has not an explicit quantitative long-term goal on area protected or restored. Increase in numbers will depend on future level of engagement of participants.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?

Yes

F7.1a

(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module

F1. Current State

Data points verified

Data points given within our integrated annual report; sustainably sourced purchased volume, total volume .

Verification standard

ISAE 3000

Please explain

Statements and figures pertaining to sustainability in the Management’s Report and Consolidated Financial Statements of BASF’s Annual Report are audited. The audit with limited assurance 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.

F8. Barriers and challenges

F8.1

(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

Forest risk commodity

Palm oil

Coverage

Direct operations

Supply chain

Primary barrier/challenge type

Supply chain complexity

Comment

The oil palm complex is a bulk commodity value chain with huge complexity. Keeping up standards and requirements is currently down to the industry players as often enough the enforcement of laws and rules set up by the government is not happening (Indonesia, Malaysia). This gap in central control is tried to be overcome by the industry e.g. with satellite monitoring, HCSA commitments, concepts like HCS and HCV conservation. By nature some elements are more difficult than others in “controlling” / improving like human rights.

Forest risk commodity

Palm oil

Coverage

Direct operations

Supply chain

Primary barrier/challenge type

Limited availability of certified materials

Comment

The oil palm complex is a bulk commodity value chain with huge complexity. Keeping up standards and requirements is currently down to the industry players as often enough the enforcement of laws and rules set up by the government is not happening (Indonesia, Malaysia). This gap in central control is tried to be overcome by the industry e.g. with satellite monitoring, HCSA commitments, concepts like HCS and HCV conservation. By nature some elements are more difficult than others in “controlling” / improving like human rights.

Forest risk commodity

Palm oil

Coverage

Direct operations

Supply chain

Primary barrier/challenge type

Lack of regulatory control and enforcement from local governments

Comment

The oil palm complex is a bulk commodity value chain with huge complexity. Keeping up standards and requirements is currently down to the industry players as often enough the enforcement of laws and rules set up by the government is not happening (Indonesia, Malaysia). This gap in central control is tried to be overcome by the industry e.g. with satellite monitoring, HCSA commitments, concepts like HCS and HCV conservation. By nature some elements are more difficult than others in “controlling” / improving like human rights.

F8.2

(F8.2) Describe the main measures that would improve your organization’s ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

Forest risk commodity

Palm oil

Coverage

Direct operations
Supply chain

Main measure

Improved data collection and quality

Comment

NDPE (No Deforestation, No Peat, No Exploitation) policies are a strong instrument to cut the direct link between deforestation and palm oil.

KPI’s for an effective NDPE policy are:

- Supply chain transparency: Traceability of all sourcing at mill level, including publication of a mill list that includes GPS coordinates and parent company name.
- A robust grievance mechanism
- Effective monitoring mechanism
- A stringent and effective certification scheme, that is the lever for NDPE implementation on the ground.

Forest risk commodity

Coverage

Direct operations
Supply chain

Main measure

Greater transparency

Comment

NDPE (No Deforestation, No Peat, No Exploitation) policies are a strong instrument to cut the direct link between deforestation and palm oil.

KPI's for an effective NDPE policy are:

- Supply chain transparency. Traceability of all sourcing at mill level, including publication of a mill list that includes GPS coordinates and parent company name.
- A robust grievance mechanism
- Effective monitoring mechanism
- A stringent and effective certification scheme, that is the lever for NDPE implementation on the ground.

Forest risk commodity

Palm oil

Coverage

Direct operations
Supply chain

Main measure

Increased demand for certified products

Comment

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- A stringent and effective certification scheme, that is the lever for NDPE implementation on the ground.

Forest risk commodity

Palm oil

Coverage

Direct operations
Supply chain

Main measure

Greater stakeholder engagement and collaboration

Comment

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- A stringent and effective certification scheme, that is the lever for NDPE implementation on the ground.

Forest risk commodity

Palm oil

Coverage

Direct operations

Supply chain

Main measure

Investment in monitoring tools and traceability systems

Comment

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- Supply chain transparency. Traceability of all sourcing at mill level, including publication of a mill list that includes GPS coordinates and parent company name.
- A robust grievance mechanism
- Effective monitoring mechanism
- A stringent and effective certification scheme, that is the lever for NDPE implementation on the ground.

Forest risk commodity

Palm oil

Coverage

Direct operations

Supply chain

Main measure

Other, please specify

Verified implementation of NDPE policies on the ground moving away from company driven approaches towards industry wide approaches

Comment

NDPE (No Deforestation, No Peat, No Exploitation) policies are a strong instrument to cut the direct link between deforestation and palm oil.

KPI's for an effective NDPE policy are:

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F17 Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Member of the Board of Executive Directors	Board/Executive board