

Blueprint for Corporate Sustainability Leadership at BASF 2018

Implementing the Ten Principles into Strategies and Operations

Full Coverage and Integration Across Principles

Blueprint Aspects	BASF
Implement all the ten UN Global Compact principles into strategies and operations.	We respect and promote <ul style="list-style-type: none">• the ten principles of the U.N. Global Compact,• the United Nations' Universal Declaration of Human Rights and the two U.N. human right covenants,• the core labor standards of the ILO and Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration),• the UN Guiding Principles on Business and Human Rights• the OECD Guidelines for Multinational Enterprises,• the Responsible Care Global Charter, and• the German Corporate Governance Code.
Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.	
Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.	We support the implementation of the United Nations' Sustainable Development Goals with our social commitment around the world. We promote social, educational, cultural, academic and sports projects as part of our social engagement strategy. We focus on projects that will have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and BASF. Projects are developed, and impact-related targets defined together with partners from civil society.

The BASF Report combines our financial and sustainability reporting and is addressed to readers interested in both areas. In addition to our integrated corporate report, we publish further information about sustainability issues on the internet. The information in the BASF Report 2018 also serves as a progress report on BASF's implementation of the ten principles of the UN Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership - an action plan initiated as part of the Global Compact LEAD platform.

We identify relevant topics and trends as well as potential opportunities and risks along our value chain through dialog with stakeholders, supported by continuous, worldwide big data analysis. In 2018, we also co-published a study identifying long-term sustainability trends between now and 2030, based on an analysis of more than 900 studies from academia, think tanks and market analyses.

In addition to our new financial targets, we have also set ourselves new non-financial targets on climate protection, a sustainable product portfolio, responsible procurement and engaged employees to steer our business into a sustainable future.

The Corporate Sustainability Board is BASF's central steering committee for sustainable development. It is composed of the heads of our business, corporate and functional units, and regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors, helping us expand our strengths and identify our potential for improvement.

References

BASF Report 2018

- Chapter "About this Report", pp. 5-6
- Chapter "Corporate Strategy", pp. 25-28
- Chapter "Integration of Sustainability", pp. 36-40

Robust Management Policies and Procedures

Blueprint Aspects	BASF
<p>Assess risks and opportunities on an ongoing basis at both enterprise and product level and undertake due diligence to ensure that the company identifies any negative impacts caused by its operations and activities.</p>	<p>Our sustainability management helps to minimize risks and opens up new opportunities to market more sustainable products. We reduce potential risks in the areas of environmental protection, safety and security, health protection, product stewardship, compliance, and labor and social standards by setting ourselves globally uniform requirements. These often go beyond local legal requirements. Internal monitoring systems and grievance mechanisms enable us to check compliance with these standards: they include, for example, global surveys, audits and compliance hotlines. All employees, managers and Board members are required to adhere to our global Code of Conduct, which defines a mandatory framework for our business activities.</p> <p>We systematically evaluate sustainability criteria as an integral part of our assessment processes when deciding whether to acquire or invest in property, plant and equipment or financial assets. These assess the economic implications and potential impacts on areas such as the environment, human rights or local communities.</p>
<p>Develop strategies and policies specific to the company's operating context – as well as scenarios for the future - and establish measurable short, medium, and long term goals.</p>	<p>We have defined sustainability focus areas in our corporate strategy to position ourselves in the market and at the same time, meet the growing challenges along the value chain:</p> <ul style="list-style-type: none">• We source responsibly• We produce safely for people and the environment• We produce efficiently• We value people and treat them with respect• We drive sustainable products and solutions. <p>Relevant topics resulting from these commitments – such as energy and climate protection, portfolio management, supply chain responsibility, employee engagement, resource efficiency, responsible production and water – form the focal points of our reporting. We integrate these topics into our long-term steering processes to increase societal acceptance and take advantage of business opportunities.</p>

Engage and educate employees through training activities, the development and adjustment of business processes, and sound incentive schemes.

With our "We create chemistry" strategy, we have defined the values on which we base our actions. Based on our value of acting responsibly as an integral part of society, our standards meet internationally recognized principles and fulfill or exceed existing laws and regulations.

We stipulate rules for our employees with standards that apply throughout the Group. We set ourselves ambitious goals with voluntary commitments and monitor our performance in terms of environmental protection, health and safety using our Responsible Care Management System. In terms of labor and social standards, this takes place using three elements: the Compliance Program (including the compliance hotlines, which can be used for internal and external questions or complaints), close dialog with our stakeholders (such as with employee representatives or internal organizations), and the global management process for the respect of international labor norms.

Our business partners are expected to comply with prevailing laws and regulations and to align their actions with internationally recognized principles. We have established monitoring systems to ensure this.

We take advantage of business opportunities by offering our customers innovative products and solutions that contribute to sustainable development. We ensure that sustainability criteria are automatically integrated into our business units' development and implementation of strategies, research projects, and innovation processes. For example, we analyze sustainability-related market trends in customer industries to systematically seize new business opportunities.

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote lifelong, self-directed learning.

Our learning activities follow the "70-20-10" philosophy: We apply the elements "learning from experience" (70%), "learning from others" (20%) and "learning through courses and media" (10%). We also engage our employees in a variety of trainings to strengthen their awareness and ability to act according to the company's objectives for example in the areas of health and safety or compliance.

<p>Implement a system to track and measure performance based on standardized performance metrics.</p>	<p>Examples:</p> <p>A new global tool was launched in mid-2018 to help employees detect threats faster and better assess the risks involved. Our new, global requirement on key safety-related workflows emphasizes risk-conscious, safe working practices. A standardized risk matrix was adopted in 2018 to be able to determine and assess the hazard potential of incidents consistently across the company.</p> <p>In addition to the legally required briefings, we also held training courses on safe procedures in 2018 to strengthen risk awareness among our employees and contractors and prevent work-related accidents. Furthermore, our training site at the Ludwigshafen site in Germany has offered continuous further education on diverse safety and security topics for employees and contractors since 2010. Some 18,000 participants received training there in 2018.</p> <p>Our compliance trainings take place in different formats, including face-to-face training, e-learning or workshops. The course materials and formats are constantly being updated. In total, more than 96,000 participants worldwide received around 84,000 hours of compliance training in 2018.</p> <p>We set ourselves globally consistent standards. We use various systems to monitor whether and how our sites adhere to these standards for environment, safety performance, health and product stewardship using our Responsible Care Management System. Furthermore, we check to make sure they fulfill commitments to labor, social and compliance standards. We conduct internal audits on process safety, occupational health and safety, and environmental protection. We review labor and social standards based on three main pillars. This includes an external compliance hotline, an annual survey of our Group companies and dialog with employee representatives and international organizations. In addition to economic criteria, new and existing suppliers are selected based on environmental, social and corporate governance standards.</p> <p>We have set voluntary long-term global goals in the areas of economy, environment, safety, employees and society. Through these goals, sustainable development at BASF is transparent and verifiable.</p>
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We want to measure the value proposition of our actions along the entire value chain, aware that our business activities are connected to both positive and negative impacts on the environment and society. We strive to increase our positive contribution to society and minimize the negative impacts of our business activities.

To achieve this, we need to even better understand how our actions impact society and the environment. We already have many years of experience of this from evaluating our products and processes using methods such as Eco-Efficiency Analysis, the Sustainable Solution Steering portfolio analysis, or BASF's corporate carbon footprint. We have completely revised our SEEbalance® method with respect to how social aspects are assessed. In a new, qualitative assessment, we analyze and evaluate relevant social issues along the value chain. Our assessment is guided by standards such as those issued by the World Business Council for Sustainable Development (WBCSD) or the Roundtable for Product Social Metrics.

BASF has also developed a method with external experts to perform a monetary assessment of the economic, ecological, and social impacts of its business activities along the value chain – the Value to Society approach. It enables a direct comparison between financial and nonfinancial effects of our business activities on society and illustrates interdependencies.

References

BASF Report 2018

- Chapter "Corporate Strategy", pp. 25-28
- Chapter "Integration of Sustainability", pp. 36-40
- Chapter "Employees", pp. 110-115
- Chapter "Supplier Management", pp. 90-91
- Chapter "Environmental Protection, Health & Safety", pp. 95-99
- Chapter "Compliance" in Corporate Governance Report, pp. 140-141

Further References

- [Materiality analysis](#)

Mainstreaming into Corporate Functions and Business Units

Blueprint Aspects	BASF
Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) and ensure that no function is operating in conflict with sustainability commitments and objectives of company.	Business success tomorrow means creating value for the environment, society and business. This is why sustainability has been reinforced as a cornerstone of our updated corporate strategy. Using the various tools of our sustainability management, we carry out our company purpose: "We create chemistry for a sustainable future." We systematically incorporate sustainability into our business. We understand sustainability trends and derive appropriate measures of our business to seize business opportunities and minimize risks along the value chain.
Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy.	We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF's central steering committee for sustainable development. It is composed of the heads of our business, corporate and functional units, and regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors, helping us expand our strengths and identify our potential for improvement.
Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary.	

References

BASF Report 2018

- Chapter "Corporate Strategy", pp. 25-28
- Chapter "Integration of Sustainability", pp. 36-40

Value Chain Implementation

Blueprint Aspects	BASF
Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.	<p><u>Upstream:</u></p> <p>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. This is why we have set ourselves the goal of evaluating the sustainability performance of 70% of the BASF Group's relevant suppliers and developing action plans for any necessary improvements by 2020. The proportion of relevant suppliers evaluated by the end of 2018 was 60%. Due to the size and scale of our supplier portfolio, our suppliers are evaluated based on risk, including both country and industry-specific risks.</p> <p>As part of the updated corporate strategy, we resolved in 2018 to step up our efforts to improve our sustainability performance along the supply chain in the future. To this end, we have expanded our sustainability evaluations of relevant suppliers and integrated these into a new goal to improve our sustainability performance in procurement: By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend ¹and 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>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 Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care® initiative. The Code of Conduct covers compliance with human rights, labor and social standards,</p>

¹ We understand relevant spend as procurement volumes with relevant suppliers. Relevant suppliers are Tier 1 suppliers 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), a joint initiative of chemical companies for sustainable supply chains.

<p>Communicate policies and expectations to suppliers and other relevant business partners.</p>	<p>and antidiscrimination and anticorruption policies in addition to protecting the environment. We updated our Supplier Code of Conduct in 2018 in response to stricter requirements and new developments relating to the U.N. Guiding Principles on Business and Human Rights and the ILO. Issues such as modern slavery and human trafficking were incorporated, as well as our requirement that suppliers implement grievance mechanisms for their employees and stakeholders. We also added a reference to our own grievance mechanism – our compliance hotline, which suppliers and their employees can contact if they have questions or complaints. We are informing our existing suppliers of the updated Code of Conduct.</p> <p>In 2018, we started the step-by-step rollout of a new registration portal for suppliers, in which our Code of Conduct is already integrated. This requires suppliers to commit to these values on registration. 4,866 suppliers did this and registered via the portal in 2018.</p>
<p>Implement monitoring and assurance mechanisms within company's sphere of influence.</p>	<p>A country-based risk analysis forms the basis of our selection process for new suppliers. Based on the country-related risks identified, we specifically asked suppliers in South America and Asia in particular to commit to the values of our Supplier Code of Conduct in 2018. Only those companies that have committed to our Code of Conduct actually became new suppliers.</p> <p>BASF is a founding member of the Together for Sustainability (TfS) initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. With the help of TfS, we promote sustainability in the supply chain. The initiative aims to develop and implement a global program for the responsible supply of goods and services and improve suppliers' environmental and social standards. The evaluation process is simplified for both suppliers and TfS member companies by a globally uniform questionnaire. The 22 members of the initiative conducted a total of 3,767 sustainability assessments – including both initial and follow-up assessments – and 358 audits in 2018. In 2018, over 200 suppliers attended sustainability training in Shanghai as part of the TfS initiative. The initiative was named the "Best Third-Sector/Non-for-Profit Procurement Project" by the global Chartered Institute of Procurement Supply (CIPS) in September 2018.</p> <p>Using TfS evaluations, we pursue a risk-oriented approach with clearly defined, BASF-specific follow-up processes. A</p>

<p>Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.</p>	<p>total of 100 raw material supplier sites were audited on sustainability standards in 2018. We also received sustainability assessments for 546 suppliers from an external service provider. If we identify potential for improvement, we support suppliers in developing measures to fulfill our standards. We conduct another review according to a defined timeframe based on the sustainability risk measured. If the weak points discovered were particularly severe and we are unable to confirm any improvement, we reserve the right to terminate the business relationship. This did not occur in any case in 2018. We use this approach to evaluate suppliers with an elevated sustainability risk at least every five years. The approach itself is regularly reviewed to identify possibilities for optimization.</p> <p>In 2018, we continued our collaborations in relevant procurement markets such as China to instruct suppliers on sustainability standards. 116 suppliers received training in 2018 as part of a local partnership with the East China University for Science and Technology in Shanghai, for example. In addition, we instructed 962 BASF employees on sustainability-oriented supplier management and responsible procurement. These are ways in which potential supply chain risks can be identified and minimized together with our suppliers.</p> <p>BASF is one of 11 founding members of the German Business Initiative for Sustainable Value Chains established by the German sustainability network econsense and the Wittenberg Center for Global Ethics (WCGE). As part of this initiative, we help suppliers to improve their sustainability performance, for example, through training. The first supplier training events of the initiative were held in 2018 in China and Mexico.</p> <p>The audits conducted over the past few years have identified some deviations with respect to environmental, social and corporate governance standards, for example in waste and wastewater management and relating to occupational safety, working hours and minimum wage. In the follow-up audits conducted in 2018, we found improvements in all areas. None of our 2018 audits identified instances of child labor. For the suppliers we reviewed, persons under 18 were excluded from overtime and dangerous work. We did not find any incidents of forced labor in 2018.</p> <p><u>Downstream:</u></p>
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We are committed to continuously minimizing the negative effects of our products on the environment, health and safety along the value chain – from development to disposal. This commitment to product stewardship is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). We also ensure uniformly high standards for product stewardship worldwide. In some cases, we have committed to voluntary initiatives, which go beyond the local legal requirements.

We provide extensive information on all our chemical sales products to our customers with safety data sheets in around 40 languages. This is achieved with the help of a global database in which we maintain and evaluate continuously updated environmental, health and safety data for our substances and products. Our global emergency hotline network provides information around the clock. We train and support our customers in fulfilling their industry-specific or application-specific product requirements. In associations and together with other manufacturers, BASF is pushing for the establishment of voluntary global commitments to prevent the misuse of chemicals.

Our risk assessment goals support the implementation of initiatives such as the Global Product Strategy (GPS) of the ICCA. GPS is establishing worldwide standards and best practices to improve the safety management of chemical substances. In addition, we are also involved in initiatives such as workshops and training seminars in developing countries and emerging markets, including in China and the Philippines in 2018. In order to facilitate public access to information, we are involved in the ICCA online portal that provides more than 4,500 GPS safety summaries.

Furthermore, we use our Eco-Efficiency Analysis to advise our customers on the evaluation of product risks and support them in improving the carbon footprint of their products.

References

BASF Report 2018

- Chapter “Suppliers”, pp. 90-91
- Chapter “Product stewardship”, pp. 100-101

See more on [Supply chain management](#)

Taking Action in Support of Broader UN Goals and Issues

Core Business Contributions to UN Goals and Issues

Blueprint Aspects	BASF
Align core business strategy with one or more relevant UN goals / issues.	<p><u>Strategy</u></p> <p>We want to contribute to a sustainable future and have embedded this into our corporate purpose: "We create chemistry for a sustainable future."</p> <p>To be the world's leading chemical company for our customers, we will grow profitably and add value to society. This is how we create chemistry for a sustainable future.</p> <p>We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. This is why we offer products and solutions that make the best use of available resources.</p> <p>We have defined sustainability focus areas and commitments in our corporate strategy:</p> <ul style="list-style-type: none">• We source responsibly• We produce safely for people and the environment• We produce efficiently• We value people and treat them with respect• We drive sustainable products and solutions. <p>Our focus areas in research are derived from the three major areas in which chemistry-based innovations will play a key role in the future:</p> <ul style="list-style-type: none">• Resources, environment and climate• Food and nutrition• Quality of life <p>The trend toward increased sustainability requirements in our customer industries continues. Our aim is to leverage the</p>
Develop relevant products and services or design business models that contribute to UN goals / issues.	

Adopt and modify operating procedures to maximize contribution to UN goals / issues.

resulting opportunities in a growing market even more effectively in the future with more sustainable innovations. This is why we applied the Sustainable Solution Steering method, which is used to evaluate the sustainability of our product portfolio, to assessments of innovation projects, and integrated it into an early stage of our research and development processes as well as the development of our business strategies.

We are working on overarching projects with a high technological, social or regulatory relevance. For instance, one global research and development program is focusing on the energy-intensive underlying production processes for basic chemicals. These basic chemicals account for more than half of the CO₂ emissions produced by the European chemical industry.

Development

Our three global research divisions are run from our key regions – Europe, Asia Pacific and North America: Process Research & Chemical Engineering (Ludwigshafen, Germany), Advanced Materials & Systems Research (Shanghai, China) and Bioscience Research (Research Triangle Park, North Carolina). Together with the development units in our operating divisions, they form the core of our global Know-How Verbund. Our strong regional presence opens up opportunities to participate in local innovation processes and gain access to local talent.

Innovation

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

A growing need for food, energy and clean water, limited resources and a booming world population – reconciling all these factors is the greatest challenge of our time. Innovations based on chemistry play a key role here, as they contribute decisively to new solutions. Effective and efficient research and development is a prerequisite for innovation as well as an important growth engine for BASF. We develop innovative processes and products for a sustainable future and drive forward digitalization in research worldwide. This is how we ensure our long-term business success with chemistry-based solutions for almost all sectors of industry.

Contribution

The Eco-Efficiency Analysis developed by BASF ensures that the innovative approach also creates value for the environment. Many of our customers already aim to increase the proportion of recycled materials in their productions. We are currently working with customers to produce the first prototypes for customer products with chemically recycled products.

We also offer other ecological evaluation instruments alongside the Eco Efficiency Analysis.

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

We have also developed Sustainable Solution Steering, a comprehensive sustainability evaluation and decision-making process for the entire BASF business. Using this process, we can identify the BASF solutions that make a significant contribution in terms of sustainability within their industry sector, as well as those solutions in our large portfolio that, at present, do not fully meet the standards of sustainable development that we would like to achieve.

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

We will deeply integrate Sustainable Solution Steering into the research and development pipeline, in business strategies as well as in merger and acquisition projects.

References

BASF Report 2018

- Chapter "Corporate Strategy", pp. 25-28
- Chapter "Innovation", pp. 31-35
- Chapter "Integration of Sustainability", pp. 36-40

- Chapter “Opportunities & Risks”, pp. 123-130

Further references

- [Eco-Efficiency Analysis](#)
- [AgBalance®](#)
- [Sustainable Solution Steering](#)

Strategic Social Investments and Philanthropy

Blueprint Aspects	BASF
Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy.	We take on social responsibility: We are involved in diverse projects worldwide, especially in the communities where our sites are located. Our focus is on access to education. In this way, we promote innovative capacity and future viability. We also aim to create long-term value for BASF and society with new business models and cross-industry partnerships. Our company-wide Starting Ventures helps people with precarious livelihoods to improve their income-earning opportunities and their quality of life. At the same time, the program provides access to new markets and strengthens our contribution to reaching the U.N. Sustainable Development Goals. One project in Egypt, for example, helps tomato smallholders to increase their tomato crop yields. A digital early warning system developed by BASF sends an alert via SMS or voice message to inform them of any outbreaks of plant diseases.
Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.	In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. and nongovernmental organizations. In 2018, BASF supported a project spearheaded by the U.N. Children's Fund (UNICEF) to promote inclusive education in Peru with its annual year-end donation campaign to the BASF Stiftung. BASF doubled all donation by employees of participating German and South American companies, bringing the total amount benefiting the children in Peru to €567,926.64.
Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups.	The BASF Group spent a total of €38.4 million supporting projects in 2018; we donated 39% of this amount (2017: €56.0 million, of which 57% were donations).

References

BASF Report 2018

- Chapter “Integration of Sustainability”, p. 40

Also see [BASF's engagement](#)

Advocacy and Public Policy Engagement

Blueprint Aspects	BASF
<p>Publicly advocate the importance of action in relation to one or more UN goals / issues.</p> <p>Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals / issues</p>	<p>BASF and its representatives are actively promoting the importance of UN Goals and issues in public.</p> <p>As a member of the U.N. Global Compact LEAD initiative, we support the implementation of the Agenda 2030 and its Sustainable Development Goals. In addition, company representatives are actively engaged in several initiatives and symposia of the UN Global Compact and UN Global Compact Lead.</p> <p>We are involved in projects such as the U.N. Global Compact's Action Platforms on Decent Work in Global Supply Chains (SDG 8) and on Good Health and Well-being (SDG 3), and are a member of the U.N. Global Compact Expert Network. BASF is also active in 14 local Global Compact networks, including – for the first time – the United States and Tanzania since 2018.</p> <p>BASF is a founding member of the Responsible Cobalt Initiative and the World Economic Forum's Global Battery Alliance. In these initiatives, launched in 2017, companies and international organizations such as the OECD and UNICEF are joining forces to tackle the challenges in the battery materials supply chain.</p> <p>We illustrate our efforts in Food Fortification on a dedicated website.</p>

References

- Chapter "Integration of Sustainability", p. 38
- Chapter "Letter from the Chairman of the Board of Executive Directors", p. 9
- [BASF's support for the UN Global Compact](#)
- [How BASF contributes to the UN Sustainable Development Goals](#)
- [BASF Food Fortification](#)

Partnerships and Collective Action

Blueprint Aspects	BASF
<p>Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.</p>	<p>BASF is active regarding partnership projects in UN Global Compact and UN Global Compact LEAD and beyond:</p> <ul style="list-style-type: none">• BASF is engaged in several of UN Global Compact's Action Platforms.• BASF is involved in worldwide initiatives with various stakeholder groups, such as the UN Global Compact.• In 2017, BASF joined the Ellen MacArthur Foundation's circular economy initiatives to drive forward existing approaches.• As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives.• BASF is part of the Global Business Initiative on Human Rights (GBI). This group of globally operating companies from various sectors aims to ensure implementation of the UN Guiding Principles on Business and Human Rights.• BASF is a member of the German Roundtable of the International Integrated Reporting Council (IIRC) and a member if the pilot program of the IIRC. We served as a pilot enterprise in the development of the framework for the integrated reporting of the IIRC. Following this pilot phase, we have been active in the IR Business Network since 2014 in order to discuss our experience with other stakeholders and at the same time receive inspiration for the enhancing our reporting.• BASF has participated in CDP's program for reporting on data relevant to climate protection since 2004. CDP is an international organization representing more than 650 institutional investors who manage over \$87 trillion in assets and 115 major purchasing organizations with \$3.3 trillion in purchasing power. After achieving a score of "A-" for several years, thus
<p>Join industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company's positive impact on its value chain.</p>	

attaining “Leadership” status, BASF was included in CDP’s “Climate Change A List” with the highest possible rating of “A” in 2018. Companies at this level are distinguished by the completeness and transparency of their reporting, their approaches for managing the opportunities and risks associated with climate change, and clear corporate strategies to reduce emissions. BASF has also reported on water management to CDP since 2010 and was again acknowledged as a global leader in sustainable water management in 2018. The organization awarded BASF an “A-” rating in recognition of its actions to manage water more sustainably.

- We pursue our goal by applying the European Water Stewardship standard, which rests on four principles: sustainable water abstraction, maintaining good water quality, preserving conservation areas, and ensuring continuous improvement processes. We will pursue an updated goal from 2019 onward. By 2030, we want to introduce sustainable water management at all sites in water stress areas and at our Verbund sites according to our expanded definition. This almost doubles the number of sites.
- We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the International Chemical Environmental (ICE) initiative and the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. In 2018, we provided assistance to other companies in 145 cases worldwide (2017: 178). We apply the experience we have gathered to set up similar systems in other countries: For example, we intensified our activities in India in 2018.
- Our risk assessment goals support the implementation of initiatives such as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing worldwide standards and best practices to improve the safe management of chemical substances. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets. In order to facilitate public access to information, we are participating in the setup of an ICCA online portal that provides more than 4,500

GPS safety summaries.

- We are members of the business-driven sustainability networks like Chemie³, The Conference Board, Together for Sustainability, econsense, CSR Europe, Sustainability Consortium, the World Business Council for Sustainable Development, Global Battery Alliance and Alliance to End Plastic Waste.

References

BASF Report 2018

- Chapter “BASF on the Capital Market”, pp. 12-14
- Chapter “Integration of Sustainability”, pp. 36-40
- Chapter “Product Stewardship”, pp. 100-101
- Chapter “Transportation and Storage”, p. 102
- Chapter “Water”, pp. 108-109
- Chapter “Compliance” in Corporate Governance Report, pp. 140-141

Further References

- [Sustainability Networks](#)

Engaging with the United Nations Global Compact

Local Networks and Subsidiary Engagement

Blueprint Aspects	BASF
Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.	BASF is active in <u>local Global Compact Networks</u> in Argentina, Belgium, Brazil, Canada, Chile, China, Columbia, Germany, India, Kenya, Poland, Singapore, Tanzania and the United States. In several some of these local networks, BASF is part of the steering committee/ Board.
Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.	The information in the BASF Report 2018 also serves as a progress report on BASF's implementation of the 10 principles of the United Nations' Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership of the Global Compact LEAD platform.
Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.	

References

BASF Report 2018

- Chapter "About This Report", pp. 5-6
- Chapter "Integration of Sustainability", p. 38

Global and Local Working Groups

Blueprint Aspects	BASF
Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.	BASF is very active in the UN Global Compact and UN Global Compact LEAD on a global as well as on a national level. BASF representatives are contributing to a large number of initiatives, working groups and symposia. On a global level, BASF participates in several Action Platforms (details see below) and is part of the UN Global Compact Expert Network.
Take active part in defining scope and objectives of new working groups when relevant.	As a member of the U.N. Global Compact LEAD initiative, we support the implementation of the Agenda 2030 and its Sustainable Development Goals. BASF is also active in 14 local Global Compact networks.

References

BASF Report 2018

- Chapter "Integration of Sustainability", pp. 36-40

Further References

- [Global Compact Network Germany](#)

Issue-Based and Sector Initiatives

Blueprint Aspects	BASF
Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Global Business Initiative on Human Rights.	We are active in worldwide initiatives with various stakeholder groups. We have been a member of the U.N. Global Compact since 2000. As a recognized LEAD company, we also support the implementation of the Agenda 2030 and its Sustainable Development Goals. We are involved in projects such as the U.N. Global Compact's Action Platforms on Decent Work in Global Supply Chains (SDG 8) and on Good Health and Well-being (SDG 3), and are a member of the U.N. Global Compact Expert Network. BASF is also active in 14 local Global Compact networks, including – for the first time – the United States and Tanzania since 2018.
Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.	BASF is part of the Global Business Initiative on Human Rights (GBI). This group of globally operating companies from various sectors aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. In 2018, we again consulted with representatives of civil society at an international and national level on an ongoing basis, which provided valuable input for our measures.
	BASF has been actively involved in the U.N. Global Compact's Action Platform on Decent Work in Global Supply Chains since 2018. This cross-industry working group aims to improve working conditions in global supply chains as these relate to labor and human rights. The companies involved have developed a voluntary commitment to more effectively implement the main international standards – the ILO core labor standards, the 10 principles of the U.N. Global Compact and the U.N. Guiding Principles on Business and Human Rights – in their respective supply chains through specific measures such as supplier training, collaboration with partners or greater transparency. BASF was one of the first companies worldwide to adopt this voluntary commitment in late 2018.
	In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. and nongovernmental organizations. In 2018, BASF supported a project spearheaded by the U.N. Children's Fund (UNICEF) to promote inclusive education in Peru with its annual year-end donation campaign to the BASF Stiftung. BASF doubled all donation by employees of participating German and South

American companies, bringing the total amount benefiting the children in Peru to €567,926.64.

Our risk assessment goals support the implementation of initiatives such as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing worldwide standards and best practices to improve the safe management of chemical substances. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets, including in China and the Philippines in 2018. In order to facilitate public access to information, we are participating in the setup of an ICCA online portal that provides more than 4,500 GPS safety summaries.

References

BASF Report 2018

- Chapter “Integration of Sustainability”, pp. 36-40
- Chapter “Product Stewardship”, pp. 100-101

Further References

- BASF’s support for the UN Global Compact
- BASF Food Fortification
- See Global Product Strategy
- See BASF's engagement

Promotion and Support of the UN Global Compact

Blueprint Aspects	BASF
Advocate the UN Global Compact to business partners, peers and the general public.	Advocating the UN Global Compact is a key element of presentations, speeches and communication about sustainability by BASF representatives. BASF representatives promote and further develop the Global Compact by their engagement within the local networks and numerous initiatives, working groups and symposia.
Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.	Furthermore, BASF is a founding member of the sustainability initiative of the German chemical industry Chemie ³ (Chemistry ³). The sense of commitment shared by companies, employees, social partners and trade association highlights the fact that sustainability requires an all-encompassing approach which unites economic, environmental and social aspects. The aim of the initiative is to underpin sustainability as a guiding principle of the chemical industry in Germany and to provide inspiration for the international community. As a sector-specific umbrella, the guidelines provide orientation for enterprises and their workforces. They reflect core elements from national, European and international initiatives and standards, such as the 10 principles of the UN Global Compact, the Core Labour Standards of the International Labour Organisation (ILO), and the OECD Guidelines for Multinational Enterprises. They are the result of a dialogue with stakeholders within the industry as well as the political, social, scientific and economic realm.
Participate in activities to further develop and strengthen the UN Global Compact.	

References

- [Sustainability Networks](#)

The Cross-Cutting Components

CEO Commitment and Leadership

Blueprint Aspects	BASF
CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.	BASF's CEOs have been involved in numerous activities with public recognition to promote UN goals and issues. BASF is a founding member of the UN Global Compact (former CEO Dr. Jürgen Strube) and a founding member of UN Global Compact LEAD (former CEO Dr. Jürgen Hambrecht). From 2012 to 2018, BASF's CEO Dr. Kurt Bock has been part of the Global Compact Board.
CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards.	"We actively support the UN Sustainable Development Goals. We see them as a guide for research, product development and business conduct. We believe that innovation and sustainability are inextricably linked – and that partnerships are the way forward. And for this reason, we will continue to engage at global and local levels to build multi-stakeholder alliances for meeting these environmental and societal challenges" – Martin Brudermüller, Chairman of the Board of Executive Directors
CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.	Sustainability is an integral part of BASF's strategy and values. This is reflected by our corporate purpose "we create chemistry for a sustainable future".
Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.	

References

- BASF's support for the UN Global Compact

Board Adoption and Oversight

Blueprint Aspects	BASF
Board of Directors (or equivalent**) assumes responsibility and oversight for long term corporate sustainability strategy and performance.	We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF's central steering committee for sustainable development. It is composed of the heads of our business, corporate and functional units, and regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors, helping us expand our strengths and identify our potential for improvement.
Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability.	
Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).	We once again met with the Stakeholder Advisory Council in 2018 to discuss important aspects of sustainability. The main topics were strengthening sustainability in the corporate strategy, such as the discussion on the new sustainability goals. We received and implemented recommendations for our thematic focus areas. For example, the Stakeholder Advisory Council encouraged us to push forward with the circular economy as a strategic focus, where BASF developed a chemical recycling method for plastic waste.

References

BASF Report 2018

- Chapter "Integration of Sustainability", pp. 36-40

** For companies without a formal Board, other governance or ownership body assumes these responsibilities

Stakeholder Engagement

Blueprint Aspects	BASF
Publicly recognize responsibility for the company's impacts on internal and external stakeholders.	Our stakeholders include customers, employees, suppliers and shareholders, as well as representatives from academia, industry, politics and society. Parts of our business activities, such as the use of new technologies, are frequently viewed by some stakeholders with a critical eye. In order to increase societal acceptance for our business activities, we address our stakeholders' questions, assess our business activities in terms of sustainability aspects, and communicate transparently. Such dialogs help us to even better understand what society expects of us and which measures we need to pursue in order to establish and maintain trust and build partnerships.
Define sustainability strategies, goals and policies in consultation with key stakeholders.	We use a custom model to identify key stakeholders and involve them more effectively. When selecting our stakeholders, we assess factors such as their topic-specific expertise and willingness to engage in constructive dialog, for instance. We draw on the competence of global initiatives and networks, and contribute our own expertise. We are members of the business-driven sustainability networks like Chemie ³ , The Conference Board, Together for Sustainability, econsense, CSR Europe, Sustainability Consortium, the World Business Council for Sustainable Development, Global Battery Alliance and Alliance to End Plastic Waste, among others.
Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.	We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors. We once again met with the Stakeholder Advisory Council in 2018 to discuss important aspects of sustainability. The main topics were strengthening sustainability in the corporate strategy, such as the discussion on the new sustainability goals. We received and implemented recommendations for our thematic focus areas. For example, the Stakeholder Advisory Council encouraged us to push forward with the circular economy as a strategic focus, where BASF developed a chemical recycling method for plastic waste.
Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'.	We have a particular responsibility toward our production sites' neighbors. With the established community advisory panels, we promote open exchange between citizens and

our site management and strengthen trust in our activities. Our globally binding requirements for community advisory panels at our sites are based on the grievance mechanism standards in the U.N. Guiding Principles on Business and Human Rights. We keep track of their implementation through the existing global databank of the Responsible Care Management System, which was further expanded in the regions in 2018.

BASF is also active in 14 local Global Compact networks, including – for the first time – the United States and Tanzania since 2018.

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and ongoing dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. In the case of organizational changes or if restructuring leads to staff downsizing, for example, we involve employee representatives to develop socially responsible implementation measures at an early stage.

Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational considerations. In 2018, this happened in preparations to transfer the paper and water chemicals business to a joint venture, for example. We also involved our employee representatives in full and at an early stage when we introduced a new global metric for variable compensation. This ensured wide employee acceptance and seamless implementation of the change. The early, detailed presentation and explanation of the updated corporate strategy in 2018 was also a reflection of our trust-based cooperation.

We act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Organization (ILO). BASF is committed to complying with these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including external compliance hotlines), close dialog with our stakeholders

(such as with employee representatives or international organizations) and the BASF guideline on compliance with international labor norms, which was established in 2015 and applies Group-wide.

This guideline concretizes what the human rights issues and international labor standards in our global Code of Conduct mean as these relate to our employees. We monitor and evaluate whether the national law of all the countries in which BASF operates complies with international labor and social standards. If the national law contains no or lower requirements, action plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. Based on our guideline, our management process has been able to improve maternity leave at BASF companies with no statutory requirements or lower requirements than in the BASF guideline, for example.

References

BASF Report 2018

- Chapter “Integration of Sustainability”, pp. 36-40
- Chapter “Employees”, pp. 110-115

Further References

- [Sustainability Networks](#)

Transparency and Disclosure

Blueprint Aspects	BASF
Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.	BASF publishes an integrated annual report and provides more information on sustainability on its homepage www.bASF.com . We further publish information for specific stakeholder groups such as our Palm Progress Report .
Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework.	As a member of the UN Global Compact LEAD, we report in accordance with the Blueprint for Corporate Sustainability Leadership. The detailed GRI and Global Compact Index 7 can be found in the online report. It provides an overview of all relevant information to fulfill the GRI indicators, as well as how we contribute to the United Nations' Sustainable Development Goals (SDGs) and the principles of the UN Global Compact. The results of the limited assurance audit of this information can also be found here in the form of a report issued by KPMG AG Wirtschaftsprüfungsgesellschaft.
Integrate Communication on Progress into annual financial report or publish them together.	Our reporting is audited by a third party. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the BASF Group Consolidated Financial Statements and the Management's Report and has approved them free of qualification. The audit of the Consolidated Financial Statements including the Notes is based on the likewise audited financial statements of the BASF Group companies. Statements and figures pertaining to sustainability in the Management's Report and Consolidated Financial Statements are also audited. The audit with limited assurance was conducted in accordance with International Standard of Assurance Engagements 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the International Standard of Assurance Engagements 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international auditing standards for sustainability reporting. KPMG also conducted a substantive audit with limited assurance of the nonfinancial statement (NFS).
Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.	

References

BASF Report 2018

- Chapter “About This Report”, pp. 5-6
- Chapter “Compliance” in Corporate Governance Report, pp. 140-141

Further References

- [Palm Progress Report](#)