

BASF's implementation 2019 of the UNGC Blueprint for Corporate Sustainability Leadership

Implementing the Ten Principles into Strategies and Operations

Full Coverage and Integration Across Principles

Blueprint Aspects	BASF-
<p data-bbox="162 1070 587 1176">Implement all the ten UN Global Compact principles into strategies and operations.</p> <p data-bbox="162 1709 571 1877">Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.</p>	<p data-bbox="609 1059 1393 1160">Our standards fulfill or exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:</p> <ul data-bbox="667 1198 1393 1675" style="list-style-type: none"> • The 10 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. <p data-bbox="609 1713 1406 2016">We are embedding sustainability even more deeply into the steering of our business. We are successful in the long term when our products, solutions and technologies add value to the environment, society and the economy. We want to be a thought leader in sustainability, which is why we are increasing the relevance of sustainability in our steering processes and business models. This secures the long-term success of our company, creates business opportunities and establishes us as a key partner supporting our customers.</p>

Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.

BASF has created the conditions for greater customer proximity, increased competitiveness and profitable growth with an organizational realignment as part of the implementation of its strategy. We are streamlining our administration, sharpening the roles of services and regions, and simplifying procedures and processes as part of our ongoing Excellence Program. Customer-focused operating divisions, cross-functional service units and regions as well as a lean Corporate Center are the cornerstones of the new organization.

The Corporate Center units support the Board of Executive Directors in steering the company as a whole. These include central tasks from the following areas: strategy; finance; law, compliance and tax; environmental protection, health and safety; human resources; communications; investor relations and internal audit.

The integration of sustainability into core business activities and decision-making processes is steered by the Corporate Development unit, which is part of the Corporate Center as of 2020. From 2020 onward, we will also bundle the global steering of climate-related matters in this unit, such as the coordination of measures to reach our climate protection target. The Board of Executive Directors is regularly informed of the current status of individual sustainability topics as well as of sustainability assessments as part of other business processes (such as investment plans), makes decisions on these with strategic relevance for the Group, and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of heads of business, corporate and functional units, and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.

References
BASF Report 2019

- Chapter “The BASF Group”, p. 20
- Chapter “Our strategic action areas”, pp. 28-29
- Chapter “Integration of Sustainability”, p. 37

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>As part of our general risk management process, we also identify and assess relevant risks arising from sustainability topics such as climate change. 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, supplier relationships and labor and social standards by setting ourselves globally uniform requirements. These often go beyond local legal requirements.</p> <p>Risk management in the area of sustainability also includes climate-related risks and opportunities. We consider risks for companies in connection with the transition to a low-carbon economy (transition risks) as well as physical risks as defined by the Task Force on Climate-related Financial Disclosures (TCFD). For BASF as an energy-intensive company, climate-related risks arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation. In addition, BASF's emissions footprint and intensity could lead to a negative perception and reduced appeal among external stakeholders such as customers or investors. We counter these risks with our carbon management measures and by transparently disclosing our positions on and contributions to climate protection (such as political demands, progress in the implementation of our climate strategy and how our products help to protect the environment) in publicly accessible sources (such as this annual report or on the BASF website) and in direct dialog with external stakeholders. Physical risks to our production and our supply chain are addressed by our risk management in production and in procurement. Our broad product portfolio also includes solutions for the circular economy and climate protection (such as insulation foams for buildings, materials for electromobility and bio-based products). Increased social awareness offers additional market opportunities for these products. We are working with numerous scientific and public organizations and initiatives on solutions for sustainable agriculture that meet economic, ecological, and social demands over the long term.</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.

Our decentralized specialists use a central decision tree to document reportable sustainability risks within the meaning of section 289b et seq. of the German Commercial Code. No reportable residual net risks within the meaning of section 289b et seq. of the German Commercial Code were identified for 2019.

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

We achieve long-term business success by creating value added for the environment, society and the economy. Sustainability is at the core of what we do, a driver for growth and value as well as an element of our risk management. That is why sustainability is firmly anchored into the organization as part of governance, compensation systems and business models.

Based on our corporate strategy and the global targets derived from this, from the 2020 business year onward, we will integrate the sustainability targets (CO₂-neutral growth until 2030 and achieve €22 billion in Accelerator sales by 2025) into short-term Group-level steering as well, as most important key performance indicators. We started to establish the necessary steering mechanisms and control systems in 2019. In addition to the two climate protection and Accelerator sales targets, we have also set ourselves further sustainability targets on responsible procurement, engaged employees, women in leadership positions, occupational health and safety, process safety and water management.

Examples of Goals:

- Grow CO₂-neutrally until 2030 (Development of carbon emissions compared with baseline 2018)
- Introduce sustainable water management at all production sites in water stress areas and at all Verbund sites by 2030

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

BASF can rely on the engagement of its employees. Employee engagement is shown by, for example, a passion for the job, a dedication to top performance and a commitment to BASF. Global employee surveys and pulse checks are an established feedback tool in the BASF Group, and are used to actively involve employees in shaping their working environment. The results are communicated to employees, the Board of Executive Directors and the Supervisory Board. We have performed regular global employee surveys since 2008. [...] Our 2019 employee survey showed an engagement index of 79%.

Despite significant challenges associated with restructuring measures, this score is already close to the target we set ourselves. We continue to aim to increase this score to over 80%.

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. Employee development at BASF is guided by the belief that talent is in everyone. This means that development opportunities and support are open to all employees. In our understanding, there is more to development than a promotion or a job change – it encompasses the development of personal experience and abilities.

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

Digital learning formats are playing an ever-increasing role in our development offerings. In 2019, we expanded our global digital learning platform with the addition of an independent learning module.

Implement a system to track and measure performance based on standardized performance metrics.

This gives employees a wide range of personalized learning recommendations and special learning paths on diverse topics. In addition, all employees have access to a continuously growing online library with professional resources on leadership, personal development and business. These digital offerings enable employees to take responsibility for their own professional development and promote knowledge transfer across BASF as a whole. We launched the #liveitleadit initiative in 2019 to harness the opportunities of digital transformation for BASF. Ten modules on different aspects of leadership in the digital age give leaders inspiration for their work, including on agility or leading in a data-driven world.

The Board of Executive Directors' target agreement contains operational and strategic objectives. The operational targets (primarily earnings, financial, investment and operational excellence targets) cover the company's short-term financial performance. The strategic targets relate to BASF's medium and long-term development on the basis of the corporate strategy. They comprise targets for growth, portfolio optimization, investment and R&D strategy, digitalization, *sustainability* and the BASF corporate values.

Our data collection methods for environmental protection and occupational safety are based on the recommendations of the International Council of Chemical Associations (ICCA) and the European Chemical Industry Council (CEFIC). In the section "Environmental Protection, Health and Safety," we report all data including information on the emissions and waste of the worldwide production sites of BASF SE, its fully consolidated subsidiaries, and proportionally consolidated joint operations. Our reporting is audited by a third party. Statements and figures pertaining to sustainability in the Management's Report are audited by KPMG. 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.

The NFS disclosures can be found in the relevant sections of the Management's Report and have been prepared in accordance with the appropriate frameworks:

the Global Reporting Initiative Standards (“Comprehensive” application option) and the reporting requirements of the U.N. Global Compact.

We ensure that our business units automatically evaluate and take into account relevant sustainability criteria when they develop and implement strategies, research projects and innovation processes.

We want to measure the value proposition of our actions along the entire value chain. We are aware that our business activities have an impact on the environment and society, and so we strive to increase our positive contribution and minimize the negative effects 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. The methodology of the SEEBalance® analysis to evaluate the sustainability of different product and process alternatives was enhanced and refined in 2019. The social analysis component now contains two modules, which we use to assess social risks along the value chain and identify negative impacts on the United Nations’ Sustainable Development Goals.

We also developed a method together with external experts to perform a monetary assessment of the economic, ecological, and social impacts of our business activities along the value chain - the Value to Society approach.

References
BASF Report 2019

- Chapter “About this report”, p. 6
- Chapter “Overview”, p. 16
- Chapter “Our targets”, p. 27
- Chapter “Integration of Sustainability”, pp. 37-38
- Chapter “Employees”, pp. 127-130
- Chapter “Opportunities and Risks“, pp. 146-147
- Chapter “Compensation report”, p. 164

Mainstreaming into Corporate Functions and Business Units

Blueprint Aspects	BASF
<p>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.</p> <p>Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy.</p> <p>Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary.</p> <p>(both sections at the right-hand side apply to the three blueprint aspects above)</p>	<p>Sustainability is at the core of what we do, a driver for growth and value as well as an element of our risk management. That is why sustainability is firmly anchored into the organization as part of governance, compensation systems and business models. Based on our corporate strategy and the global targets derived from this, from the 2020 business year onward, we will integrate the sustainability targets (CO₂-neutral growth until 2030 and achieve €22 billion in Accelerator sales by 2025) into short-term Group-level steering as well, as most important key performance indicators. We started to establish the necessary steering mechanisms and control systems in 2019.</p> <p>The integration of sustainability into core business activities and decision-making processes is steered by the Corporate Development unit, which is part of the Corporate Center as of 2020. From 2020 onward, we will also bundle the global steering of climate-related matters in this unit, such as the coordination of measures to reach our climate protection target. The Board of Executive Directors is regularly informed of the current status of individual sustainability topics as well as of sustainability assessments as part of other business processes (such as investment plans), makes decisions on these with strategic relevance for the Group, and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of the heads of business, corporate and functional units, and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.</p>

References
BASF Report 2019

- Chapter “Integration of Sustainability”, pp. 36-37

Value Chain Implementation

Blueprint Aspects	BASF
<p>Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.</p>	<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. 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 spend² 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.</p>
<p>Communicate policies and expectations to suppliers and other relevant business partners.</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, and antidiscrimination and anticorruption policies in addition to protecting the environment.</p>
<p>Implement monitoring and assurance mechanisms within company’s sphere of influence.</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.</p>

<p>Analyze each segment of the value chain carefully, both upstream and <u>downstream</u>, when mapping risks, opportunities and impacts.</p> <p>Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.</p>	<p>The 22 members of the initiative conducted a total of 4,197 sustainability assessments – including both initial and follow-up assessments – and 309 audits in 2019. TfS has developed training for suppliers that already have a sustainability rating but have potential for improvement in environmental, social and corporate governance. In 2019, more than 200 participants attended training on this topic in China.</p> <p>Using TfS evaluations, we pursue a risk-oriented approach with clearly defined, BASF-specific follow-up processes. A total of 81 raw material supplier sites were audited on sustainability standards on our behalf in 2019. We also received sustainability assessments for 537 suppliers from an external service provider. If we identify potential for improvement, we support suppliers in developing measures to fulfill our standards, such as providing training on environmental, social and corporate governance topics. We conduct another review according to a defined timeframe based on the sustainability risk measured. BASF reserves the right to discontinue any business relationship for non-adherence to international principles, failure to correct violations, or for displaying patterns of non-compliance with these standards. This did not occur in any case in 2019. We use this approach to evaluate suppliers with a potential sustainability risk at least every five years. The approach itself is regularly reviewed to identify possibilities for optimization.</p> <p><u>Downstream:</u></p> <p>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 that go beyond the local legal requirements.</p> <p>We maintain and evaluate environmental, health and safety data for our substances and products in a global database. This information is updated continuously. The database forms the basis for our safety data sheets, which we make available to our customers in around 40 languages.</p>
---	---

Our global emergency hotline network enables us to provide information around the clock. We train and support our customers in fulfilling their industry 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.

In Brazil, we trained employees from 81 suppliers on topics such as how the United Nations' Sustainable Development Goals (SDGs) can be implemented. We trained employees from 49 suppliers in 2019 as part of a local partnership with the East China University of Science and Technology in Shanghai. BASF is one of 11 founding members of the econchain – German Business Initiative for Sustainable Value Chains initiative coordinated by the German sustainability network econsense. As part of this initiative, we help suppliers to improve their sustainability performance through training. Following successful pilot supplier training, which we started in 2018 in China and Mexico and completed in 2019, the concept was enhanced and refined to roll out the training further in 2020.

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.

References

BASF Report 2019

- Chapter “Supplier Management”, pp. 102-103
- Chapter “Product stewardship”, p. 113

Further references

- 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
<p>Align core business strategy with one or more relevant UN goals / issues.</p>	<p><u>Strategy</u></p> <p>At BASF, we are passionate about chemistry and our customers. To be the world's leading chemical company for our customers, we will grow profitably and create value for society. [...] This is our goal. This is what drives us and what we do best: We create chemistry for a sustainable future.</p> <p>We achieve long-term business success by creating value added for the environment, society and the economy. Sustainability is at the core of what we do, a driver for growth and value as well as an element of our risk management. That is why sustainability is firmly anchored into the organization as part of governance, compensation systems and business models. Based on our corporate strategy and the global targets derived from this, from the 2020 business year onward, we will integrate the sustainability targets (CO₂-neutral growth until 2030 and achieve €22 billion in Accelerator sales by 2025) into short-term Group-level steering as well, as most important key performance indicators. We started to establish the necessary steering mechanisms and control systems in 2019.</p> <p>In addition to the two climate protection and Accelerator sales targets, we have also set ourselves further sustainability targets on responsible procurement, engaged employees, women in leadership positions, occupational health and safety, process safety and water management. We help our customers to be more sustainable and develop sustainable solutions to grow our customer relationships and attract new customers. One example of this is the ChemCycling™ project to drive forward chemical recycling of plastic waste and in this way, strengthen the circular economy for plastics (see page 105). We want to promote societal acceptance of our business activities by acting in a responsible, resource-conserving, respectful, safe and efficient way. Our products, solutions and technologies help to achieve the United Nations' Sustainable Development Goals (SDGs), for example through climate protection measures. We also contribute to other goals, such as No poverty (SDG 1) and Zero hunger (SDG 2), Good health and well-being (SDG 3), and Clean water and sanitation (SDG 6).</p>

Develop relevant products and services or design business models that contribute to UN goals / issues.

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:

- Resources, environment and climate
- Food and nutrition
- Quality of life

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

The trend toward increased sustainability requirements in our customer industries continues. Our aim is to leverage the resulting opportunities in a growing market even more effectively in the future with 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. In this way, we want to benefit from the higher profitability of our Accelerator solutions compared with the rest of our evaluated portfolio. At the same time, we reduce reputational and financial risks by phasing out products for which we have identified substantial sustainability concerns (“Challenged” products) within five years of initial classification as such at the latest. We develop action plans for these products at an early stage to minimize any potential financial risks. These can include research projects, reformulations or even replacing one product with another.

[...], 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.

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

References

BASF Report 2019

- Chapter “Corporate Strategy”, p. 24
- Chapter “Innovation”, pp. 32-33
- Chapter “Integration of Sustainability”, pp. 36-37
- Chapter “Opportunities & Risks”, p. 146

Further references

- [Sustainable Solution Steering](#)
 - [ChemCycling](#)
-

Strategic Social Investments and Philanthropy

Blueprint Aspects	BASF
<p>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.</p>	<p>We take on social responsibility: We are involved in diverse projects worldwide, especially in the communities where our sites are located.</p> <p>Our social commitment helps to achieve the U.N. SDGs. 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.</p> <p>As a responsible neighbor, we strive to create a livable community for our sites’ neighbors, employees and their families. In Germany, community engagement in Ludwigshafen and the Rhine-Neckar metropolitan region includes strengthening participation and integration of disadvantaged groups as well as promoting research and discovery.</p>

<p>Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.</p> <p>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.</p>	<p>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. organizations. In 2019, BASF supported a project spearheaded by the U.N. Children’s Fund (UNICEF) to construct a youth center for young Rohingya refugees in Bangladesh with its annual year-end donation campaign to the BASF Stiftung. In total, €359,987.00 was raised for the UNICEF project from donations by the employees of participating German Group companies and BASF.</p> <p>It is particularly important to us that we work together with our partners to increase the effectiveness of individual measures. In the project #WirGestaltenSchule, for example, we are working together with partners to improve education equality. We promote cooperation between nonprofit organizations with the Gemeinsam Neues schaffen program.</p> <p>Together with our partners we assess societal needs and set meaningful and material goals. Success means to us that we achieve a long-term impact for the society.</p>
---	---

References

BASF Report 2019

- Chapter “Integration of Sustainability”, p. 41

Further references

- [What drives us – Website \(German\)](#)
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 actively promote the importance of UN Goals and issues in public.</p> <p>We also 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. We support 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 15 local Global Compact networks.</p> <p>BASF is a founding member of the UNGC Sustainable Finance Initiative launched in December 2019 by a CFO taskforce. The CFO participates in related events.</p> <p>Business for Inclusive Growth (B4IG) is a global coalition, powered by the OECD. It aims to pool and strengthen efforts by private companies to reduce inequalities linked to opportunity, gender and territories, and to build greater synergies with government-led efforts. B4IG was launched in presence of President of France Emmanuel Macron on August 23, 2019 ahead of the G7 Leaders’ Summit in Biarritz.</p> <p>“At BASF we are convinced that successful business is only possible within inclusive societies on a healthy planet. We have joined B4IG to work hand in hand with public and private partners for economic growth reaching all levels of society”. - Martin Brudermüller CEO and Chief Technology Officer, BASF SE</p>

References

BASF Report 2019

- Chapter “Integration of Sustainability”, p. 39

Further References

- [Business for Inclusive Growth \(B4IG\) Website](#)

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>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>	<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 of 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 attaining “Leadership” status, BASF was included in CDP’s “Climate Change A List” with the highest possible rating of “A-” in 2019. 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 2019. The organization awarded BASF an “A” rating in recognition of its actions to manage water more sustainably.
- 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 2019, we provided assistance to other companies in 165 cases worldwide (2018: 145). 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.
- BASF supports 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 and to support governments in the introduction of local chemical regulations.
- 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, the Global Battery Alliance and the Alliance to End Plastic Waste.
- Climate protection is a shared global task. We advocate climate protection by supporting initiatives to this end. For instance, BASF spearheaded the World Economic Forum’s initiative on Collaborative Innovation for Low-Carbon Emitting Technologies in the Chemical Industry.

In July 2019, BASF and the World Economic Forum invited participants to a kick-off workshop in Ludwigshafen, Germany. Representatives from 20 international chemical companies met with the goal of accelerating CO₂ reduction through future cooperation. BASF also supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2019, we shared learnings and best practices on the implementation of the TCFD recommendations with four industry peers at a TCFD Preparer Forum for Chemicals.

- BASF continues to be actively involved in the World Economic Forum's Global Battery Alliance (GBA), which it co-founded in 2017. The GBA has around 70 members, who are committed to creating a socially responsible, ecological, economically sustainable and Innovative value chain for batteries.

References

BASF Report 2019

- Chapter "Integration of Sustainability", p. 41
- Chapter "Raw Materials", p. 107
- Chapter "Product Stewardship", p. 113
- Chapter "Transportation and Storage", p. 115
- Chapter "Energy and climate protection", p. 116
- Chapter "Water", p. 124
- Chapter "Compliance", p. 158

Further References

- [Sustainability Networks](#)

Engaging with the United Nations Global Compact

Local Networks and Subsidiary Engagement

Blueprint Aspects	BASF
<p>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.</p> <p>Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.</p> <p>Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.</p>	<p>BASF is active in <u>local Global Compact Networks</u> in Argentina, Belgium, Brazil, Canada, Chile, China, Columbia, Denmark, Germany, India, Kenya, Paraguay, Poland, Singapore, Tanzania, United States and Uruguay. In several of these local networks, BASF is part of the steering committee/ Board.</p> <p>The information in the BASF Report 2019 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.</p>

References

BASF Report 2019

- Chapter "About This Report", p. 5

Global and Local Working Groups

Blueprint Aspects	BASF
<p>Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.</p> <p>Take active part in defining scope and objectives of new working groups when relevant.</p>	<p>BASF is very active in the UN Global Compact and UN Global Compact LEAD on global as well as national levels. BASF representatives are contributing to a large number of initiatives, working groups and symposia, and take part in defining scope and objectives e.g. as members of the Board of several local networks. On a global level, BASF participates in several Action Platforms (details see below) and is part of the UN Global Compact Expert Network.</p> <p>As a recognized LEAD company, we contribute to the implementation of the Agenda 2030 and the associated goals. We support 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. 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.</p>

References

BASF Report 2019

- Chapter “Integration of Sustainability”, p. 39

Further References

- [Global Compact Network Germany](#)

Issue-Based and Sector Initiatives

Blueprint Aspects	BASF
<p>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.</p>	<p>For many years now, we have engaged in constructive dialog on human rights with other companies, nongovernmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI), a group of globally operating companies from various sectors. The initiative aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. We report on our global targets, monitoring systems and measures to integrate human rights topics into our business activities in publications such as this report and online.</p> <p>We support 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. 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.</p>
<p>Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.</p>	<p>BASF supports 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 and to support governments in the introduction of local chemical regulations. We are also involved in initiatives such as workshops and training seminars in developing countries and emerging markets. In 2019, these included the ASEAN (Association of Southeast Asian Nations) workshop on regulatory cooperation in Vietnam and a Responsible Care workshop in Argentina.</p>

References

BASF Report 2019

- Chapter “Integration of Sustainability”, p. 41
- Chapter “Product Stewardship”, p. 113

Promotion and Support of the UN Global Compact

Blueprint Aspects	BASF
<p>Advocate the UN Global Compact to business partners, peers and the general public.</p> <p>Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.</p> <p>Participate in activities to further develop and strengthen the UN Global Compact.</p>	<p>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.</p> <p>Furthermore, BASF is a founding member of the sustainability initiative of the German chemical industry Chemie³ (Chemistry³). The sense of commitment shared by companies, employees, social partners and trade association highlights the fact that sustainability requires an all-encompassing approach which unites economic, environmental and social aspects. The aim of the initiative is to underpin sustainability as a guiding principle of the chemical industry in Germany and to provide inspiration for the international community. As a sector-specific umbrella, the guidelines provide orientation for enterprises and their workforces. They reflect core elements from national, European and international initiatives and standards, such as the 10 principles of the UN Global Compact, the Core Labour Standards of the International Labour Organisation (ILO), and the OECD Guidelines for Multinational Enterprises. They are the result of a dialogue with stakeholders within the industry as well as the political, social, scientific and economic realm.</p>

References

- [Sustainability Networks](#)

The Cross-Cutting Components

CEO Commitment and Leadership

Blueprint Aspects	BASF
<p>CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.</p> <p>CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards.</p> <p>(the section at the right-hand side applies to the two blueprint aspects above)</p> <p>CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.</p> <p>Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.</p>	<p>Since its foundation two decades ago, we have been supporting the UN Global Compact. At the core of BASF is our corporate purpose: "We create chemistry for a sustainable future." We are well aware of the needs of the fast-growing global population: Access to food and water, energy, raw materials, housing and healthcare. Our products and services contribute to reconciling the needs with the planet's limitations. Therefore, 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</p> <p>The Corporate Sustainability Board (CSB) is BASF's central steering committee for sustainable development. It is comprised of the heads of our business, corporate and functional units as well as of the regions. A member of the Board of Executive Directors serves as chair.</p> <p>The Board of Executive Directors' target agreement contains operational and strategic objectives. The operational targets (primarily earnings, financial, investment and operational excellence targets) cover the company's short-term financial performance. The strategic targets relate to BASF's medium and long-term development on the basis of the corporate strategy. They comprise targets for growth, portfolio optimization, investment and R&D strategy, digitalization, <i>sustainability</i> and the BASF corporate values.</p>

References

BASF Report 2019

- Chapter "Integration of Sustainability", p. 164

Further References

- [BASF's support for the UN Global Compact](#)
- [Sustainability Management Structure](#)

Board Adoption and Oversight

Blueprint Aspects	BASF
<p>Board of Directors (or equivalent**) assumes responsibility and oversight for long term corporate sustainability strategy and performance.</p> <p>Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability.</p> <p>(both sections at the right-hand side apply to the two blueprint aspects above)</p> <p>Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).</p>	<p>The Board of Executive Directors is regularly informed of the current status of individual sustainability topics as well as of sustainability assessments as part of other business processes (such as investment plans), makes decisions on these with strategic relevance for the Group, and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of the heads of business, corporate and functional units, and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.</p> <p>We also established an external, independent Stakeholder Advisory Council in 2013. 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 address potential for improvement.</p> <p>The Audit Committee met five times during the reporting period. All committee members attended all meetings. The Audit Committee is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code. At the meeting on February 25, 2020, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2019 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the nonfinancial statements of BASF SE and the BASF Group.</p>

References

BASF Report 2019

- Chapter "Integration of Sustainability", p. 37
- Chapter "Report of the Supervisory Board", p. 179

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

Stakeholder Engagement

Blueprint Aspects	BASF
<p>Publicly recognize responsibility for the company's impacts on internal and external stakeholders.</p>	<p>Our stakeholders include customers, employees, suppliers and investors, as well as representatives from academia, industry, politics and society. Parts of our business activities, such as the use of certain new technologies or our environmental impacts, are often viewed by stakeholders with a critical eye. We address these questions, initiate dialogs and participate in discussions. Such dialogs with our stakeholders help us to even better understand what groups of society expect of us and which measures we need to pursue in order to establish and maintain trust and build partnerships, and increase societal acceptance for and the sustainability of our business activities. For important topics, we systematically identify key stakeholders to discuss critical questions with them. Relevant considerations include topic-specific expertise and willingness to engage in constructive dialog.</p>
<p>Define sustainability strategies, goals and policies in consultation with key stakeholders.</p> <p>Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.</p>	<p>In 2019, we once again met with the Stakeholder Advisory Council to discuss important aspects of sustainability. The main topics were identifying our material topics, the materiality analysis, impact valuation, and the issues of climate protection and human rights. We received valuable recommendations. For example, the Stakeholder Advisory Council suggested we approach our activities on the issue of human rights more systematically.</p>
<p>Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'.</p>	<p>Global employee surveys and pulse checks are an established feedback tool in the BASF Group, and are used to actively involve employees in shaping their working environment.</p> <p>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.</p>

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult their managers, dedicated specialist departments, such as the Legal department, and company compliance officers. We have also set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report potential violations of laws or company guidelines. All hotlines are also open to the public

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 are based on the grievance mechanism standards in the United Nations' Guiding Principles on Business and Human Rights. We keep track of their implementation through the existing global databank of the Responsible Care Management System.

References

BASF Report 2019

- Chapter "Integration of Sustainability", pp. 39-40
- Chapter "Employees", pp. 127-131
- Chapter "Compliance", p. 158

Further References

- [Sustainability Networks](#)
-

Transparency and Disclosure

Blueprint Aspects	BASF
<p>Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.</p>	<p>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.</p> <p>As a member of the UN Global Compact LEAD, we report in accordance with the Blueprint for Corporate Sustainability Leadership.</p>
<p>Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework.</p>	<p>The detailed GRI and Global Compact Index 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)¹ and the principles of the U.N. Global Compact.</p>
<p>Integrate Communication on Progress into annual financial report or publish them together.</p>	<p>We have been active in the International Integrated Reporting Council (IIRC) since 2014 in order to discuss our experiences of integrated reporting with other stakeholders and at the same time, receive inspiration for enhancing our reporting. This report addresses elements of the IIRC framework by, for example, providing an illustrative overview of how we create value or demonstrating the relationships between financial and sustainability-related performance in the sections on the segments.</p>
<p>Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.</p>	<p>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 are also audited by KPMG.</p>

References

BASF Report 2019

- Chapter "About This Report", pp. 5-6

Further References

- [Palm Progress Report](#)