

BASF in Greater China Report 2013



 **BASF**
The Chemical Company

The picture shows an interdisciplinary discussion among BASF colleagues in Shanghai. From right to left: Dr. Mohamed Bouguettaya from Polyurethanes Specialties Research Shanghai; Betty Lu from Nutrition & Health business unit; Dr. Thomas Gottschalk from Modelling & Formulation Research Shanghai; Alex Sun from Nutrition & Health business unit and Sophia Kim from Care Chemicals Asia Pacific.

Chemicals



The Chemicals segment comprises our business with basic chemicals and intermediates. Its portfolio ranges from solvents, plasticizers and high-volume monomers to glues and electronic chemicals as well as raw materials for detergents, plastics, textile fibers, paints and coatings, plant protection and pharmaceuticals. In addition to supplying customers in the chemical industry and numerous other sectors, we also ensure that other BASF segments are supplied with chemicals for producing downstream products.

Key data Chemicals (million €)

	2013	2012	Change in %
Sales	16,994	17,887	(5.0)
Thereof Petrochemicals	7,785	8,260	(5.8)
Monomers	6,385	6,772	(5.7)
Intermediates	2,824	2,855	(1.1)
EBITDA	2,956	3,021	(2.2)
Income from operations before special items	2,182	2,171	0.5
Income from operations (EBIT)	2,086	2,173	(4.0)

Performance Products



Our Performance Products lend stability and color to many everyday items and help to improve their application properties. Our product portfolio also includes vitamins and other food additives as well as ingredients for pharmaceuticals and for hygiene, home and personal care items. Other products from this segment improve processes in the paper industry, oil and gas production, mining and water treatment. They can also enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings, and the stability of plastics.

Key data Performance Products (million €)

	2013	2012	Change in %
Sales	15,534	15,713	(1.1)
Thereof Dispersions & Pigments	3,557	3,668	(3.0)
Care Chemicals	4,871	4,898	(0.6)
Nutrition & Health	2,088	1,959	6.6
Paper Chemicals	1,442	1,564	(7.8)
Performance Chemicals	3,576	3,624	(1.3)
EBITDA	1,987	2,090	(4.9)
Income from operations before special items	1,365	1,421	(3.9)
Income from operations (EBIT)	1,100	1,276	(13.8)

Functional Materials & Solutions



In the Functional Materials & Solutions segment, we bundle system solutions, services and innovative products for specific sectors and customers, in particular for the automotive, electrical, chemical and construction industries as well as for household applications and for sports and leisure. Our portfolio comprises catalysts, battery materials, engineering plastics, polyurethane systems, automotive and industrial coatings and concrete admixtures as well as construction systems such as tile adhesives and decorative paints.

Key data Functional Materials & Solutions (million €)

	2013	2012	Change in %
Sales	17,252	17,049	1.2
Thereof Catalysts	5,708	5,568	2.5
Construction Chemicals	2,120	2,315	(8.4)
Coatings	2,927	2,961	(1.1)
Performance Materials	6,497	6,205	4.7
EBITDA	1,498	1,363	9.9
Income from operations before special items	1,070	932	14.8
Income from operations (EBIT)	1,027	806	27.4

Agricultural Solutions



Our crop protection products guard against fungal diseases, insects and weeds, increase the quality of agricultural products and secure crop yields. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, better nutrition, and use as renewable raw materials.

Research and development expenses, sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment; they are reported in Other.

Key data Agricultural Solutions (million €)

	2013	2012	Change in %
Sales	5,227	4,679	11.7
EBITDA	1,375	1,182	16.3
Income from operations before special items	1,222	1,037	17.8
Income from operations (EBIT)	1,208	1,026	17.7

Oil & Gas



We focus our exploration and production on oil and gas-rich regions in Europe, North Africa, South America, Russia and the Middle East. Together with our Russian partner Gazprom, we are active in the transport, storage and trading of natural gas in Europe.

Key data Oil & Gas (million €)

	2013	2012	Change in %
Sales	14,776	12,740	16.0
Thereof Exploration & Production	2,929	2,584	13.4
Natural Gas Trading	11,847	10,156	16.7
EBITDA	3,144	2,445	28.6
Income from operations before special items	1,969	1,876	5.0
Income from operations (EBIT)	2,516	1,676	50.1
Net income	1,780	1,201	48.2

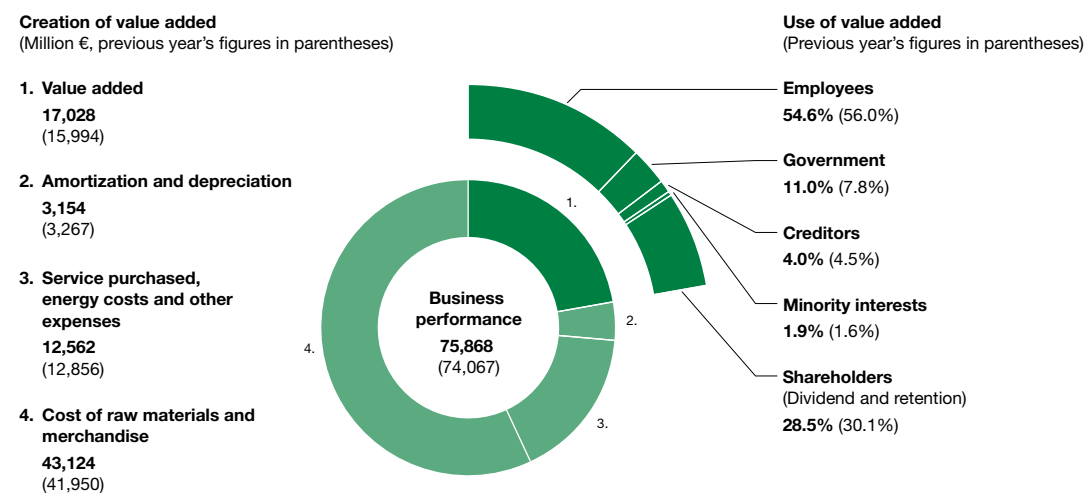
BASF Group 2013 at a glance

Economic data

		2013	2012	Change in %
Sales	million €	73,973	72,129	2.6
Income from operations before depreciation and amortization (EBITDA)	million €	10,427	10,009	4.2
Income from operations (EBIT) before special items	million €	7,190	6,647	8.2
Income from operations (EBIT)	million €	7,273	6,742	7.9
Income from operations (EBIT) after cost of capital	million €	1,872	1,164	60.8
Income before taxes and minority interests	million €	6,713	5,977	12.3
Net income	million €	4,842	4,819	0.5
Earnings per share	€	5.27	5.25	0.4
Adjusted earnings per share	€	5.37	5.64	(4.8)
Dividend per share	€	2.70	2.60	3.8
Cash provided by operating activities	million €	7,870	6,602	19.2
Additions to noncurrent assets ¹	million €	7,513	5,263	42.8
Depreciation and amortization ¹	million €	3,154	3,267	(3.5)
Return on assets	%	11.6	11.0	-
Return on equity after tax	%	19.4	19.9	-

¹ Including acquisitions

Value added 2013²



² Value added results from the company's performance minus goods and services purchased, depreciation and amortization. It shows the BASF Group's contribution to both private and public income as well as the distribution of this contribution among all stakeholders.

Innovation

		2013	2012	Change in %
Research and development expenses	million €	1,835	1,732	5.9
Number of employees in research and development at year-end		10,631	10,456	1.7

Employees and society

		2013	2012	Change in %
Employees at year-end		112,206	110,782	1.3
Apprentices at year-end		3,060	2,809	8.9
Personnel expenses	million €	9,285	8,963	3.6
Annual bonus	% of Group companies	98.9	97.9	1.0
Donations and sponsorship	million €	49.2	49.0	0.4

Supply chain management and Responsible Care

		2013	2012	Change in %
Number of on-site sustainability audits of raw material suppliers ³		155	210	(26.0)
Number of environmental and safety audits		132	112	17.9
Number of occupational medicine and health protection audits		44	42	4.8

³ In 2013, we updated our approach for evaluating suppliers. In addition to on-site audits, we initiated 550 sustainability evaluations online through external service providers.

Safety and health

		2013	2012	Change in %
Transportation accidents	per 10,000 shipments	0.22	0.24	(8)
Product spillages during transportation	per 10,000 shipments	0.23	0.25	(8)
Lost time injuries	per million working hours	1.4	1.7	(18)
Health Performance Index		0.89	0.89	0.4

Environment

		2013	2012	Change in %
Primary energy usage ⁴	million MWh	59.2	57.4	3.1
Energy efficiency in production processes	metric tons of sales product/MWh	0.592	0.602	(1.7)
Total water withdrawal	million cubic meters	1,781	1,999	(10.9)
Withdrawal of drinking water	million cubic meters	22.6	23.2	(2.5)
Emissions of organic substances to water ⁵	thousand metric tons	19.7	21.2	(7.5)
Emissions of nitrogen to water ⁵	thousand metric tons	2.9	2.8	4.7
Emissions of heavy metals to water ⁵	metric tons	21.9	26.2	(16.7)
Emissions of greenhouse gases	million metric tons of CO ₂ equivalents	23.0	22.8	0.8
Emissions to air (air pollutants) ⁵	thousand metric tons	32.4	30.6	5.9
Waste	million metric tons	2.5	2.2	11.8
Operating costs for environmental protection facilities	million €	893	901	(0.9)
Investments in environmental protection	million €	325	268	21.3

⁴ Primary energy used in BASF's plants as well as in the plants of our energy suppliers to cover energy demand for production processes

⁵ Excluding emissions from oil and gas production

BASF in Greater China

Report 2013

Contents

About this report	1	Environment, health and safety	30
Letter from the President	2	Employees	38
The BASF Group	4	Society	41
BASF in Asia Pacific	10	Stakeholder engagement	44
BASF in Greater China	12	Selected prizes and awards	46
Strategic areas	18	Ten-year summary	48
Innovation	26	Connect with BASF in Greater China	49

About this report

“BASF in Greater China – Report” is published annually as a concise document about the performance of our activities across the three dimensions of sustainability – economy, environment and society – in Greater China. The reporting period for this publication was the financial year 2013. This report also carries an overview of BASF Group along with its financial performance, prepared in accordance with the requirements of the German Commercial Code and the International Financial Reporting Standards (IFRS). Since January 1, 2013, BASF has applied IFRS 10 and 11, and International Accounting Standard (IAS) 19 (revised). We have adjusted the figures for the 2012 financial year accordingly in order to ensure comparability. The figures for the 2011 financial year and earlier were not restated according to the new accounting and reporting standards IFRS 10 and 11. The emissions, waste, energy and water use of consolidated joint operations are included pro rata, based on our stake. The employee numbers refer to employees within the BASF Group scope of consolidation as of December 31, 2013.

Letter from the President

We create chemistry for a sustainable future



Dear Stakeholders,

In 2013, we were able to achieve steady business growth at BASF in Greater China, despite the volatile global economic environment. We also invested in further local production and strengthened our research capabilities at our Innovation Campus Asia Pacific in Shanghai. Our unique combination of strong research and development (R&D) capabilities and a versatile production network enables us to create innovative solutions together with our customers.

China is changing its growth model and puts a strong focus on sustainability. BASF is determined to contribute to this development, and will continue to work closely with our stakeholders, such as employees, business partners, governmental and non-governmental organizations here.

Driving innovation based on chemistry

As a result of fast urbanization and growing disposable individual income, local consumer needs are rapidly changing, posing challenges to many industries. Innovations based on chemistry will play a key role in meeting these challenges, by providing sustainable choices to the consumers.

For this reason, BASF has established one of our major R&D hubs in Shanghai. One year after its inauguration, our Innovation Campus is now home to many R&D units and labs, embracing new research projects and accommodating open research initiatives not just for Greater China but for the whole Asia Pacific region.

In the past year, significant R&D project milestones were achieved together with our customers and scientific partners. Many new products specially designed to meet the local market needs have been developed, for example, the complete injection-molding solution Ultramid® Seal-Fit which improves electronic systems safety especially for the local automotive market. In addition, our newly launched formaldehyde-absorbing dispersion can permanently remove up to 90% of the free formaldehyde, and thus provides a cleaner and healthier indoor environment.

Contributing to sustainable development

The Chinese government has emphasized its commitment to deepening economic reforms, which will also create a better basis for the growth and development of multinational companies like BASF. With our strong confidence in and commitment to the Chinese market, we have made further investments this year, to build new production sites and facilities in Shanghai, Nanjing and Nantong, and have deepened and established our partnerships with China Petroleum & Chemical Corp. and Xinjiang Markor Chemical Industry Co., Ltd. for new joint ventures in Maoming and Korla, respectively.

The enhancement of our local production contributes to sustainability, as it reduces emissions during transportation. At the same time, our highly-integrated production systems, seamlessly connected to partners along the value chain, enhance energy and raw material efficiency.

Meanwhile, we are committed to maintaining our good performance in environment, health and safety (EHS), for example by adopting energy-efficient production processes or by using effective occupational safety tools. In 2013, our EHS performance was recognized by many local authorities and associations.

BASF not only continuously implements internationally accepted best practices of the chemical industry to all of our sites in Greater China, but also advocates them to our customers and suppliers. In 2013, BASF joined the China Petroleum and Chemical Industry Federation, and has taken on an active role in promoting high EHS standards in China's chemical industry.

To grow smartly and achieve all of our goals, employees are the most valuable assets. We aim to attract and retain people sharing our vision and provide them with space to grow in an entrepreneurial environment. In 2013, BASF rolled out the company's global new competency model in Greater China, which defines a new set of competencies applicable to all employees and managers worldwide. "Drive Innovation" and "Drive Sustainable Solutions" are two of the eight essential new competencies that echo our corporate purpose "We create chemistry for a sustainable future".

From trading textile dyes in 1885, to currently serving nearly all the key industries across the country, our commitment to Greater China has been growing continuously for almost 130 years. With the "We create chemistry" strategy, BASF will strive for its ambitious economic, environmental and social goals in the future with sustainability and innovation as the driving force.

I look forward to creating chemistry together with all of you!

Albert Heuser

Dr. Albert Heuser
President Functions Asia Pacific
President and Chairman Greater China, BASF

"BASF will strive for its ambitious economic, environmental and social goals in the future with sustainability and innovation as the driving force."



BASF's inland port of Ludwigshafen North has been a transshipment terminal for flammable liquids such as naphtha or methanol since 1976. State-of-the-art technology ensures that goods are loaded swiftly, safely and efficiently 24 hours a day. About 50 different products handled at the terminal are transferred directly from the ship through pipelines to the adjacent tank storage facility.

The BASF Group

We are the world's leading chemical company – The Chemical Company. In the BASF Group, around 112,000 employees work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our broad portfolio is arranged into five segments: Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas.

Organization of the BASF Group

Arranged into five segments, 14 divisions bear operational responsibility and manage our 66 global and regional business units. The divisions develop strategies for our 86 strategic business units and are organized according to sectors or products.

The regional divisions contribute to the local development of our business and help to exploit market potential. They are also responsible for optimizing the infrastructure for our business. For financial reporting purposes, our divisions are grouped into the following four regions: Europe; North America; Asia Pacific; and South America, Africa, Middle East.

Three central divisions, six corporate departments and 11 competence centers provide services for the BASF Group in areas such as finance, investor relations, communications, human resources, research, engineering, site management, and environment, health and safety.

In line with our "We create chemistry" strategy, we optimized our segment structure as of January 1, 2013, in order to better serve customer industries and further increase our operational and technological excellence. By combining businesses that share the same business model, we can sharpen our focus on the respective success factors.

Markets and sites

BASF has companies in more than 80 countries and supplies products to a large number of business partners in nearly every part of the world. In 2013, we achieved 56% of our sales with customers in Europe, of which 35% were in the Oil & Gas segment. North America accounted for 19% of sales; Asia Pacific, 17%; and 8% of sales were generated in South America, Africa, Middle East.

We operate six Verbund sites as well as 376 additional production sites worldwide. Our Verbund site in Ludwigshafen is the largest integrated chemical complex in the world. This was where the Verbund concept was developed and continuously optimized before it was applied to other sites around the world.

Verbund

The Verbund system is one of BASF's great strengths. Here, we add value as one company by using our resources efficiently. The Production Verbund, for example, intelligently links production units and energy demand so that heat released by production processes can be used as energy in other plants. Furthermore, by-products of one plant can serve as feedstock elsewhere. In this system, chemical processes run with lower energy use and higher product yield. This not only saves us raw materials and energy, it also minimizes emissions, lowers logistics costs and makes use of synergies.

Another important part of the Verbund concept is the Technology and Know-How Verbund. Expert knowledge is pooled in our central research areas.

For more on the Verbund concept, see basf.com/verbund_e

Corporate legal structure

As the publicly traded parent company, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also the largest operating company. The majority of Group companies cover a broad spectrum of our business. Some concentrate on specific business areas.

The BASF Group

- Six Verbund sites and 376 other production sites worldwide; around 112,000 employees
- Largest BASF Verbund site located in Ludwigshafen, where Verbund concept was created
- Verbund: Intelligent plant networking in the Production Verbund; Technology and Know-how Verbund



The picture shows one of various tanks that supply the production facilities in Ludwigshafen with feedstocks.

Corporate strategy

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

In 2050, around nine billion people will live on this planet. While the world population and its demands will keep growing, the planet’s resources are finite. On the one hand, population growth is associated with huge global challenges; and yet we also see many opportunities, especially for the chemical industry.

Our purpose We create chemistry for a sustainable future

Through research and innovation, we support our customers in nearly every industry in meeting the current and future needs of society. Our products and solutions contribute to conserving resources, ensuring good nutrition and improving quality of life.

Innovations based on chemistry will play a key role in three areas in particular:

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

Our leading position as an integrated global chemical company opens up opportunities for us in all three of these areas. In pursuing them, we act in accordance with four strategic principles.

Our strategic principles

We add value as one company
Our Verbund concept is unique in the industry. We plan to strengthen this sophisticated and profitable system even further. It extends from the Production Verbund and Technology Verbund to the Know-How Verbund, and provides access to all relevant customer industries worldwide. In this way, we combine our strengths and add value as one company.

We innovate to make our customers more successful

We want to align our business even more closely with our customers’ needs and contribute to their success with innovative and sustainable solutions. Through close partnerships with customers and research institutes, we link expertise in chemistry, biology, physics, materials sciences and engineering to jointly develop customized products as well as functional materials and system solutions.



We drive sustainable solutions

In the future, sustainability will serve more than ever before as a starting point for new business opportunities. We therefore value sustainability and innovation as important drivers for profitable growth.



We form the best team

Committed and qualified employees around the world are the key to making our contribution to a sustainable future. That is why we will continue to pursue our goal of building the best team. We offer excellent working conditions and an open leadership culture that fosters mutual trust and respect and encourages high motivation.

Our values

How we act is critical for the successful implementation of our strategy: This is what our values represent. They guide how we interact with society, our partners and with each other.

Creative

In order to find innovative and sustainable solutions, we have the courage to pursue bold ideas. We join our areas of expertise from many different fields and build partnerships to develop creative, value-adding solutions. We constantly improve our products, services and solutions.

Open

We value diversity – in people, opinions and experience. That is why we foster dialog based on honesty, respect and mutual trust. We explore our talents and capabilities.

Responsible

We act responsibly as an integral part of society. In doing so, we strictly adhere to our compliance standards. And in everything we do, we never compromise on safety.

Entrepreneurial

All employees contribute to BASF’s success – as individuals and as a team. We turn market needs into customer solutions. We succeed in this because we take ownership and embrace accountability for our work.

Goals

Growth and profitability¹

	Annual goals	2015 Goals	2020 Goals	Status at year-end 2013
Sales		Approx. €80 billion	Approx. €110 billion	€74.0 billion
Premium on cost of capital	At least €2.0 billion on average each year			€1.9 billion
EBITDA		Approx. €14 billion	Approx. €22 billion	€10.4 billion
Earnings per share		Around €7.50		€5.27

¹ For more on the application of International Financial Reporting Standards 10 and 11, see basf.com/goals

Employees

	Long-term goals	Status at year-end 2013
International proportion of senior executives	Increase in the proportion of non-German senior executives (baseline 2003: 30%)	35.0%
Senior executives with international experience	Proportion of senior executives with international experience over 80 %	81.6%
Women in executive positions	Increase in the proportion of female executives worldwide	18.5%
Employee development	Establishment of employee development as a responsibility shared by employees and leaders based on relevant processes and tools	The project has been implemented for around 40,000 employees worldwide

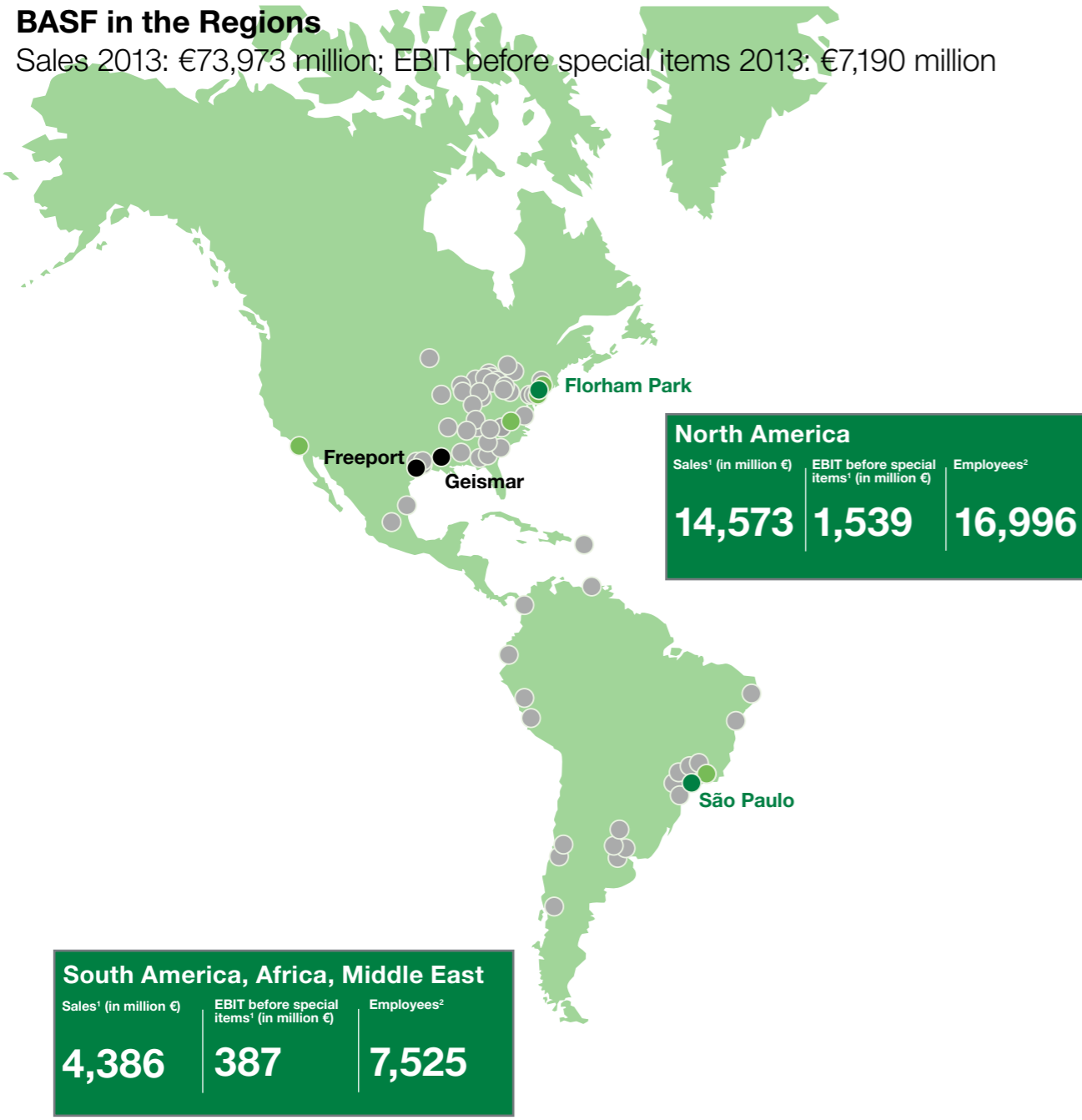
Environment, safety, security and health

	2020 Goals	Status at year-end 2013
Energy and climate protection		
Improvement of energy efficiency in production processes ² (baseline 2002)	+35%	+19.8%
Greenhouse gas emissions per metric ton of sales product ² (baseline 2002)	-40 %	-34.0%
Stop flaring of associated gas released during Wintershall’s production of crude oil (2012 goal)	100%	100%
Greenhouse gas emissions per amount and distance of transported gas (baseline 2010)	-10%	-9.0%
Water		
Emission of organic substances to water ² (baseline 2002)	-80%	-78.5%
Emission of nitrogen to water ² (baseline 2002)	-80%	-86.8%
Emission of heavy metals to water ² (baseline 2002)	-60%	-64.2%
Withdrawal of drinking water for production (baseline 2010)	-50%	-25.3%
Introduction of sustainable water management at production sites in water stress areas ² (baseline 2010)	100%	11.1%
Air		
Emission of air pollutants ² (baseline 2002)	-70%	-62.2%
Transportation		
Transportation accidents per 10,000 shipments (baseline 2003)	-70%	-61%
Production		
Lost time injuries per million working hours (baseline 2002)	-80%	-58%
Health Performance Index (annual goal)	>0.9	0.89
Products		
Risk assessment for all products sold worldwide by BASF in quantities of more than one metric ton per year	>99%	56%

² Excluding oil and gas production

BASF in the Regions

Sales 2013: €73,973 million; EBIT before special items 2013: €7,190 million

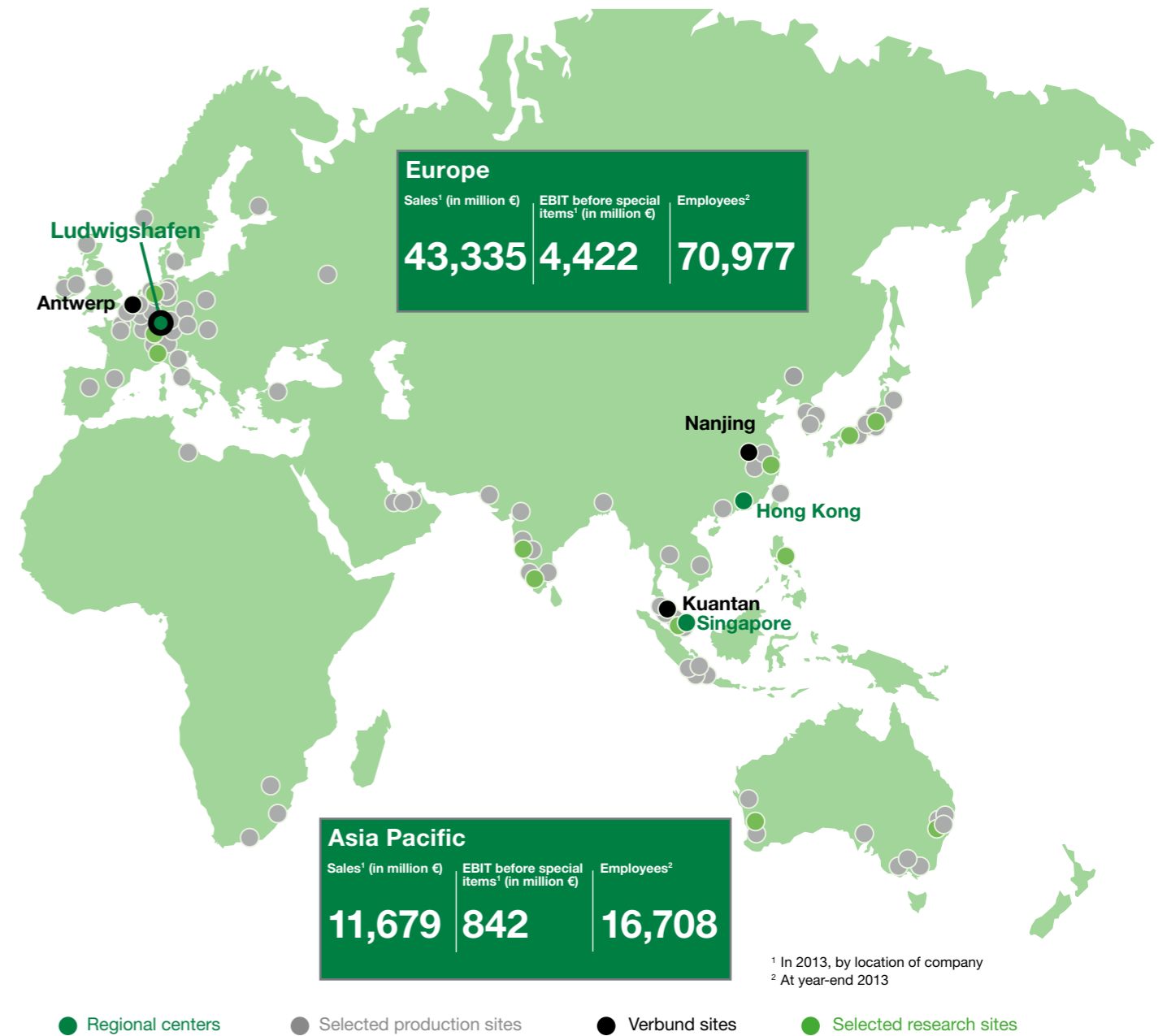


North America

At €14,573 million, sales for companies headquartered in North America were up year-on-year by 1%. In local-currency terms, sales in the region grew by 4%. Income from operations before special items increased by 49% to €1,539 million compared with the previous year.

South America, Africa, Middle East

At €4,386 million, sales for companies headquartered in South America, Africa, Middle East were 4% below the level of 2012. In local-currency terms, sales rose by 7%. Income from operations before special items in the region improved by 5% to €387 million.



● Regional centers ● Selected production sites ● Verbund sites ● Selected research sites

Europe

In 2013, companies headquartered in Europe posted a sales increase of 5% to €43,335 million. At €4,422 million, income from operations before special items surpassed the level of the previous year by 2%.

Asia Pacific

Companies headquartered in Asia Pacific were able to increase sales by 5% in local-currency terms in 2013; in euro terms, sales matched the prior-year level, reaching €11,679 million. Income from operations before special items declined by 5% to €842 million.

¹ In 2013, by location of company
² At year-end 2013

BASF in Asia Pacific At a glance

BASF strategy in Asia Pacific: grow smartly

In 2013, BASF announced the implementation of its global “We create chemistry” strategy in Asia Pacific with a set of ambitious targets and a focus on sustainability.

To achieve sales of €25 billion to customers in the region by 2020, BASF’s Asia Pacific strategy “grow smartly” outlines investments of €10 billion, and annual savings of €1 billion. Around 25% of BASF’s global R&D activities will happen in Asia Pacific by 2020, to develop innovative solutions that address the region’s challenges of resource efficiency, food and nutrition, and quality of life. By 2020, BASF plans to employ a total of around 3,500 R&D personnel in the region.

Investment in local production

By 2020, BASF aims for local production of approximately 75% of the products it sells in the Asia Pacific region, in order to intensify its collaboration with and strengthen its supply position to customers in Asia Pacific. At the same time, local production improves resource efficiency by reducing the transportation needed for imports and exports, and by enhancing energy and raw material efficiency through highly-integrated production systems close to customers.

In 2013, BASF started production at several new sites, including the inauguration of a wholly-owned tert-Butylamine plant in Nanjing, China, with a capacity of 10,000 metric tons per year, as well as starting up production of Hydraulan® brake fluid at its site in Shanghai, China. BASF also achieved several investment milestones in 2013. In Maoming, China, BASF and Sinopec took the next steps towards the establishment of a joint world-scale isononanol (INA) plant. In Chennai, India, BASF is expanding its production of mobile emissions reduction catalysts with new production lines and manufacturing capabilities.

In Shanghai, China, BASF broke ground on an Ultramid® polymerization plant with a capacity of 100,000 metric tons per year, and announced plans to invest €90 million to set up a world-scale production plant to produce high performance resins and electrocoat for the automotive industry.

Business performance

In 2013, BASF achieved sales of €12.5 billion to customers located in Asia Pacific (2012: €12.5 billion). EBIT before special items earned by companies in the region was €842 million (2012: €888 million).

Collaborative projects help BASF “create chemistry” with customers and local industries throughout the region. For example, BASF is working with the National Academy of Construction in India to provide vocational training for builders to improve the sustainability, durability, and performance of buildings. In the automotive industry, BASF and Somic Ishikawa jointly developed a plastic seat damper that helps carmakers improve comfort and decrease production costs. Working together with the entire textile value chain, BASF in 2013 adopted the bluesign® system, an internationally-recognized system for safety and environmental protection in textile chemicals. Through cooperation with partners in Japan, BASF’s gas treatment technology is now supporting Japan’s first large-scale carbon capture and storage demonstration project.

Portfolio development

BASF continues to improve its portfolio to enhance the resiliency towards market fluctuation. The goal is to generate more than €2 billion in regional sales by location of customer by 2020 through new business and acquisitions.

Operational excellence

In order to achieve our ambitious goals, we need to continuously improve our operational efficiency and our organizational effectiveness. BASF will implement a range of efficiency measures that will save approximately €1 billion annually by 2020. Excellence in functional units, marketing and sales, organization structures, investment processes and operations are the focus areas addressed to establish a competitive advantage for BASF in the region.

Talent development

Our employees are key to our long-term success in Asia Pacific. We focus on attracting and developing the most qualified talents. In 2013, BASF employed 16,708 people in the Asia Pacific region (2012: 16,406).

Number of employees (as of December 31)

2013	16,708
2012	16,406

Innovation

BASF is continuously expanding its R&D footprint in the region. We plan to employ a total of around 3,500 R&D personnel in the region by 2020. In 2013, BASF announced its intention to set up its new Electronic Materials Research and Development Center Asia Pacific in Seoul, Korea. The facility will serve as an integrated hub for electronic materials research in the region. We also inaugurated an R&D laboratory and application technology center for Battery Materials in Amagasaki, Japan.



Dr. Martin Bruder Müller, Vice Chairman of the Board of Executive Directors, BASF SE, responsible for Asia Pacific

Dr. Martin Bruder Müller

What is BASF’s biggest challenge in Asia Pacific?

We see a rapid rise in the innovativeness and competitiveness of Asian companies in the marketplace. This is why we have to grow smartly by delivering leading-edge solutions in the most efficient way. Societies are also becoming more demanding, when it comes to companies’ contribution to this development. We reflect this with our corporate purpose: “We create chemistry for a sustainable future.”

How will BASF tackle the sustainability needs in the region?

Our strategy balances the three dimensions of sustainability: economy, society and environment. Resource scarcity drives the need for more innovative and sustainable solutions. To deliver those, we can build on our strong local presence, our portfolio and our innovation capabilities. Cross-business growth initiatives, innovations, and close partnerships will contribute to the solutions we offer to customers to help tackle these challenges.

BASF in Asia Pacific: at a glance

- Customers in 17 countries
- 16,708 employees
- Sales to customers in the region of around €12.5 billion
- EBIT before special items of around €842 million
- 700 R&D employees
- Around 100 production sites
- More than 130 sales offices



The picture shows three employees working at the water treatment and paper chemicals plant in Nanjing, China.

BASF sales in Asia Pacific (billion €) (by location of customer)

2013	12.5
2012	12.5

BASF EBIT before special items in Asia Pacific (million €) (by location of company)

2013	842
2012	888

BASF in Greater China

History

BASF has been a committed partner to Greater China for almost 130 years. In 1885, it began selling textile dyes here, one of the most important chemical products of the time. BASF is thus one of the few foreign companies whose entry into China dates back to the imperial times. As early as in 1913, China accounted for 14% of the company's global sales. Since then, BASF's activities in the country have grown and diversified steadily. Over the last 20 years, BASF has invested more than €4 billion (more than €7 billion with partners) in Greater China, not only to build a strong local production base and an extensive sales network, but also to enhance the research capability for innovations that meet customer needs.

Entering China

After the Second World War, BASF began diversifying its business into indanthrene dyes and fertilizers. In the 1950s, it chose Hong Kong-based German company Jebsen & Co. to represent it as its exclusive trading agent with China. BASF's first direct investment in Greater China took place in Taiwan in 1969, when BASF bought into Cheng Kuang Chemical Co. Ltd. which later became BASF Taiwan Ltd.

In 1982, BASF decided to conduct its China business directly and established BASF China Ltd. in Hong Kong. Over the years, business in mainland China grew steadily which made direct investment there an increasingly attractive option. Consequently, BASF founded its first joint venture in 1986: Shanghai Gaoqiao BASF Dispersions Co. Ltd., which produces styrene-butadiene dispersions for paper coating and carpets. Other joint ventures followed, for example Shanghai BASF Colorants and Auxiliaries Co. Ltd. (where the Greater China headquarters is now located), BASF Shanghai Coatings Co. Ltd. and BASF Vitamins in Shenyang. In 1995, BASF established its East Asia regional headquarters in Hong Kong, reflecting the increasing importance of the China market. The following year, the holding company BASF (China) Co. Ltd. was formed in Beijing to integrate the growing number of mainland China ventures.

Yesterday

BASF's history in China dates back almost 130 years. Only 20 years after the company's foundation in Germany in 1865, BASF started doing business in China by trading textile dyes. After the Second World War, BASF began diversifying its business into indanthrene dyes and fertilizers, and conducted its China business through an exclusive agent in Hong Kong.

Major investments and sustainable growth

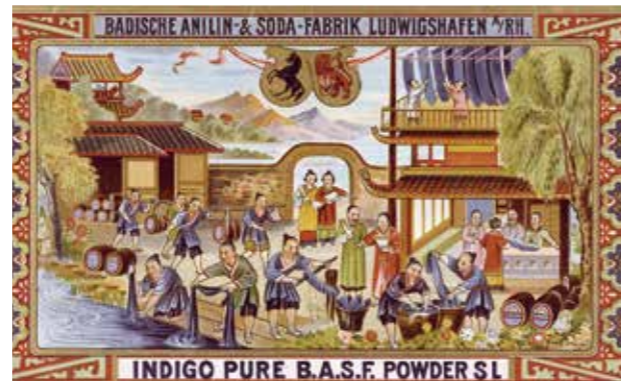
In 2000, BASF and China Petroleum & Chemical Corp. (Sinopec) together established the BASF-YPC Co. Ltd. joint venture to build a Verbund site in Nanjing which involved an initial joint investment by both partners of \$2.9 billion. This venture marks BASF's largest single investment in the company's history, as well as the beginning of a period of remarkable growth and integration of BASF's China operations. In 2005, the Verbund site started production. Only one year later, the partners agreed to expand the site, and the expansion was inaugurated in 2012. To date, the joint investment has totaled to \$4.5 billion. Further expansion is underway. For example, BASF-YPC inaugurated a new superabsorbent polymers plant in 2014.

BASF also developed production clusters around the Gaoqiao and Caojing areas in Shanghai, all equipped with advanced production technologies. Together with foreign and local partners, in 2006 BASF opened an integrated isocyanate production at the Shanghai Chemical Industrial Park in Caojing, making methylene diphenyl diisocyanate (MDI) and toluene diisocyanate (TDI). In order to serve the growing market of Western China, BASF is constructing another large MDI plant in Chongqing.

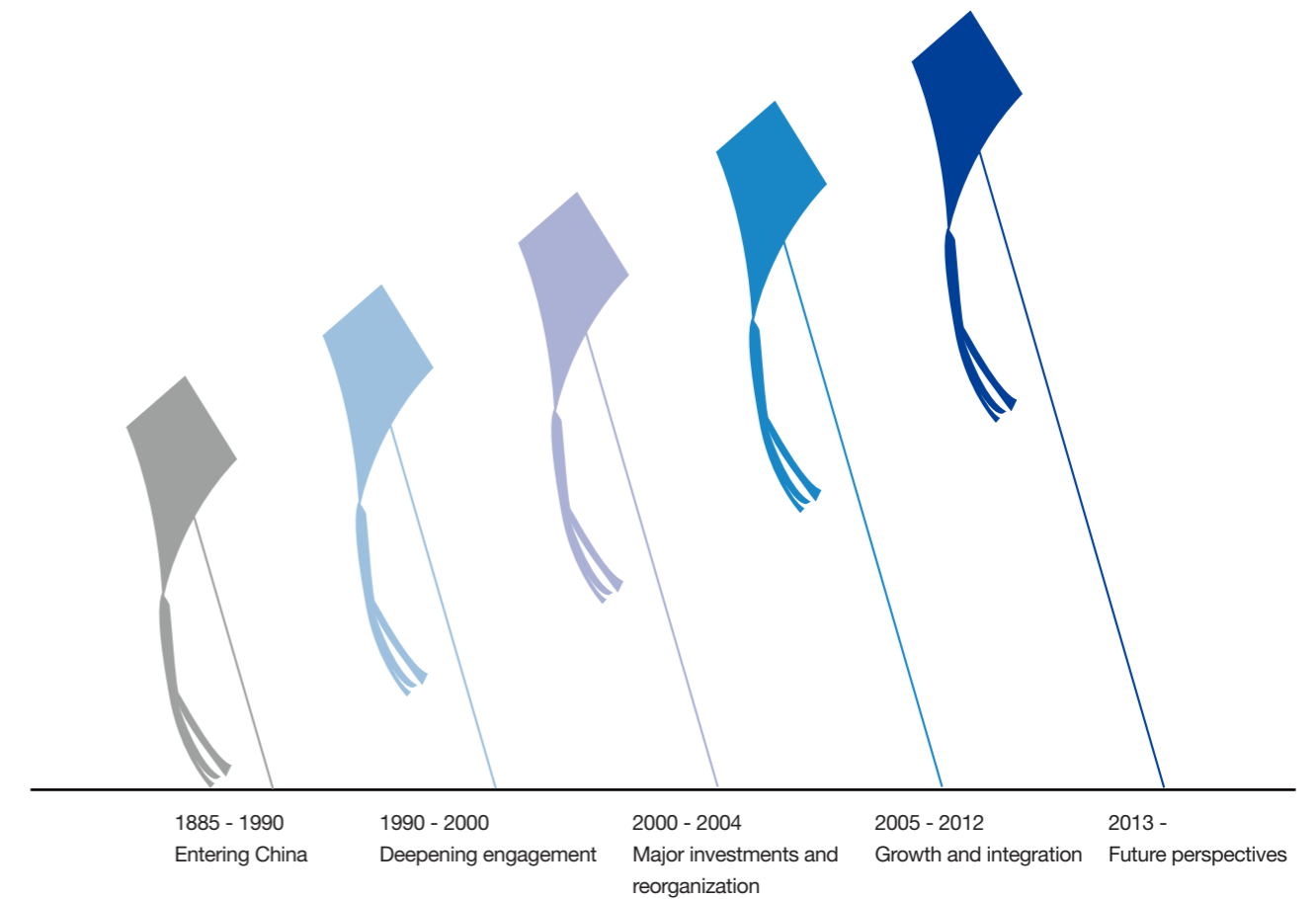
Major global acquisitions by BASF since 2005 have also benefited its China activities, among them the electronic chemicals business of the Merck Group in 2005, the construction chemicals business of Degussa and the catalysts business from Engelhard Corp. in 2006, specialty chemical makers Ciba in 2009 and Cognis in 2010, as well as battery materials manufacturer Novolyte Technologies in 2012.

Optimizing BASF's structure in Greater China

In 2004, BASF has centralized the administration of its China business and moved its Greater China headquarters to Shanghai. In 2013, the Greater China organization was further strengthened with the appointment of Dr. Albert Heuser, as President Functions Asia Pacific, President and Chairman Greater China.



The picture shows the dye label for the Chinese market almost 130 years ago.



Starting in 2008, BASF took engagement with customers in China to a deeper level with the formation of Industry Teams. These teams consist of experts from different business units within the company who combine their knowledge and expertise to develop innovative solutions for key challenges in specific industries. The teams look for solutions along the entire industry value chain thus create an integrated approach to bringing value to our customers and our customer's customers.

Sustainability and innovation drive success

BASF abides by the company's global standards for environment, health and safety in China. To this end, the company has brought its Responsible Care management to China since 2002 which is based on the international chemical industry's Responsible

Care Global Charter. BASF became a member of the founding presidium of the Global Compact Network China in 2011, which calls on companies in China to align their strategies of human rights, labor, environment and anti-corruption.

At the same time, BASF has expanded its capacities for research and development (R&D) in China in order to provide innovative and tailor-made solutions to its local customers. In Shanghai, BASF opened an R&D center for automotive industry solutions in 2007, as well as a plasticizer application lab, care chemicals development centers and a polytetrahydrofuran (PolyTHF®) lab. Since 2012, the company has operated the BASF Innovation Campus Asia Pacific at its Pudong site in Shanghai. Moreover, BASF operates research facilities in Guangzhou, Guilin and Pingtung.

Today

Today, BASF provides a vast range of products to its customers in Greater China. These chemicals serve many different industries' and end-users' needs. To better support its customers, BASF has established Industry Teams to bring solutions to the entire value chains of the Automotive, Construction, Packaging, Pharmaceutical, High-speed Railway, Food and Agriculture, Mining, Electronic and Electric, Wind Energy and Textile Industries.



BASF provides innovative and high-quality products and solutions for the wind energy industry in China.

At a glance

Greater China is BASF's third-largest market worldwide. In 2013, it achieved sales of about €5.5 billion to customers located in Greater China, and has 7,606 employees in the region. With major investments in Nanjing, Shanghai and Chongqing, the company is one of the largest foreign investors in the Chinese chemical industry. Altogether, BASF operates 23 major wholly-owned subsidiaries and seven major joint ventures in the country, manifesting its strong, long-term commitment to Greater China. We continuously strive to grow together with our local partners, in order to jointly provide even more innovative and sustainable solutions to the region.

Shanghai: research and production expansion

BASF's Greater China headquarters is located at the recently expanded Pudong site in Shanghai which is also home to the company's Innovation Campus Asia Pacific. Ultimately planned to employ more than 2,500 people, the site is becoming one of the company's major integrated sites outside of Germany. One year after its inauguration in late 2012, the Innovation Campus is steadily growing, as new labs and facilities are being added.

For more on Innovation Campus Asia Pacific, see page 26

At the Pudong site, BASF produces engineering plastics and specialty chemicals, such as amino resins, pigment preparations, leather and textile chemicals, coolants and dispersions. BASF also operates a thermoplastic polyurethanes plant, a Cellasto® plant and a system house. In 2013, a new facility for making brake fluid was inaugurated at the site, which is an extension of BASF's existing coolants production in Shanghai. Nearby at Jinqiao site, BASF produces advanced catalysts for light and heavy duty vehicles.

BASF also operates a growing number of facilities in the Shanghai Chemical Industry Park in Caojing. There, the company runs two joint ventures with Huntsman, Shanghai Hua Yi (Group) Co., Shanghai Chlor-Alkali Chemical Co. Ltd. and Sinopec

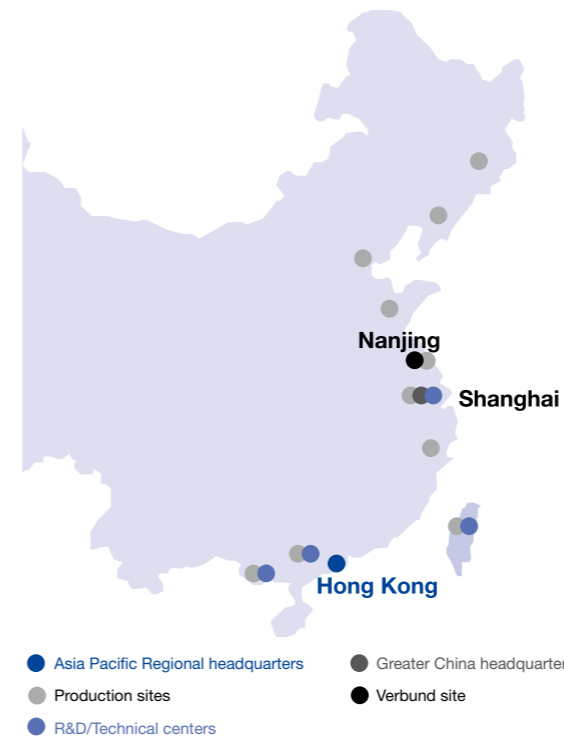


BASF breaks ground on new Ultramid® plant in Shanghai.

Shanghai Gao Qiao Petrochemical Corp., which manufacture polyurethane components, methylene diphenyl diisocyanate (MDI) and toluene diisocyanate (TDI). At the same site, BASF also operates two facilities producing polytetrahydrofuran (PolyTHF®), a major raw material for spandex fibers, and polyisocyanate (Basonat®) for the coating and furniture finishing industry. The PolyTHF facility is currently being expanded. Another facility makes precious metals-based salts and solutions for BASF's mobile emissions catalysts production in Shanghai and other industrial applications.

In 2013, a few new facilities at BASF Caojing site started construction or operation. For example, a new Ultramid® polymerization plant is under construction which will start production in 2015 and will be BASF's first polyamide polymerization plant in Asia-Pacific; a new, world-class resin factory will start manufacturing high performance resins and electrocoat in 2015; a joint venture company, BASF Shanghai Coatings Co., broke ground on its second, state-of-the-art automotive coatings plant which is scheduled to commence operation in 2014.

Sites



¹ Some sites are not shown due to scale. Site and office numbers refer to companies of significant size where BASF holds a stake greater than 50%.

BASF in Greater China Facts and figures¹

Greater China is BASF's third-largest market worldwide. In 2013, it achieved sales of about €5.5 billion to customers located in Greater China, and has 7,606 employees in the region.

BASF currently operates 23 major wholly-owned subsidiaries, seven major joint ventures, one Verbund site and 24 production sites, and maintains 31 sales offices in Greater China. Four major R&D facilities are located in Shanghai, Guangzhou, Guilin and Pingtung.

Sales in 2013 **€5.5 billion**
Employees **7,606**

Greater China Headquarters

BASF's Greater China headquarters is located at the recently expanded Pudong site in Shanghai which is also home to the company's Innovation Campus Asia Pacific. Ultimately planned to employ more than 2,500 people, the site is becoming one of the company's major integrated sites outside of Germany.



The picture shows the lobby of BASF Greater China headquarters building.

Sales (billion €) (by location of customer)

2013	5.5	<div style="width: 100%;"></div>
2012	5.1	<div style="width: 92%;"></div>

BASF products

BASF offers a broad product range in Greater China, including intermediates, monomers, petrochemicals, dispersions and pigments, care chemicals, nutrition and health, paper chemicals, performance chemicals, catalysts, construction chemicals, coatings, performance materials as well as crop protection products.

Nanjing: expansion of the production sites

BASF-YPC Co. Ltd. (BASF-YPC) is jointly operated in Nanjing by BASF and China Petroleum & Chemical Co. (Sinopec) as an integrated petrochemical Verbund site. The Nanjing Verbund site has recently been expanded with the inauguration of a superabsorbent polymer plant. Currently, both partners are exploring a further extension of the site.

BASF's Verbund system is unique in the industry, and an example of how we add value as one company. Our Verbund sites achieve extremely efficient production and safety by clustering plants and re-using by-products. For example, BASF-YPC provides raw materials, utilities and services to its adjoining BASF Nanjing site, which is wholly owned by BASF and manufactures chemicals for water treatment, paper, tire, paint and coating industries.

In July 2013, BASF launched a new world-scale tert-Butylamine (tBA) production plant at BASF Nanjing site. With an annual capacity of 10,000 tons, the new facility further strengthens BASF's globally leading position as a supplier to the rubber and tire industry. The plant is wholly-owned by BASF and integrated with the production facilities of BASF-YPC. At the same site, the company is building a new coating additives production plant, producing coating additives for the Chinese and Asia Pacific markets. It is scheduled to begin operation in 2014 and will help to respond more flexibly to the growing market demands.



BASF manufactures chemicals for water treatment in Nanjing.

Construction of MDI plant in Chongqing

BASF is currently constructing a large-scale MDI facility at the Changshou Economic & Technological Development Area in Chongqing Municipality. With an investment of around ¥8 billion (approximately €860 million), the site is designed to produce 400,000 tons of MDI per year. The BASF facility will form the nexus of a new industry hub in Western China. Polyurethane is an extremely versatile plastic material used in many everyday products, and helps improve livelihoods and reduce energy consumption.

Highlights 2013

- Site expansion in Shanghai: inauguration of new brake fluid production and new coatings plant (opens in 2014) for the automotive industry; first polyamide polymerization plant (opens in 2015) in Asia Pacific for engineering plastics, fiber and film industries
- Site expansion in Nanjing: Verbund site expansion; new tBA production plant for rubber and tire industry; new coatings additives production plant (open in 2014) for the Chinese and Asia Pacific markets
- MDI plant in Chongqing under construction

New formulation and packaging plant in Nantong

In June 2013, BASF broke ground for a new plant for formulation and packaging of fungicides, insecticides and herbicides product in Nantong in coastal Jiangsu Province. The new plant, with an annual capacity of 10,000 metric tons, is expected to be fully operational in 2014. It is BASF's first crop protection formulation plant in China and will enable us to directly address the needs of local partners and growers, thus enhances sustainable development in China's agriculture industry. The plant is part of a series of BASF's investments and initiatives for agriculture in Asia Pacific.

Establishing an iso-nonanol plant in Maoming

In January 2014, BASF and long-time partner Sinopec broke ground for the construction of a world-scale isononanol (INA) plant in Maoming Hi-tech Industrial Development Zone in Southern China. For this project, the partners have created a 50-50 joint venture company, BASF MPCC Co. Ltd. The plant will be the first of its kind in China, scheduled to start up in 2015. It will serve the increasing market demand for next-generation plasticizers, filling the current INA production gap in the country. INA is used as the feedstock for the production of next-generation plasticizers, including diisononyl phthalate (DINP) and non-phthalate plasticizer Hexamoll® DINCH®.

BASF and Markor form joint ventures in Korla

In May 2013, BASF and Xinjiang Markor Chemical Industry Co., Ltd. (Markor) signed contracts to form two joint ventures for the production of butanediol (BDO) and PolyTHF® in Korla, north-western Xinjiang Uygur autonomous region. The investment creates a synergy for Markor, the leading BDO producer in China, and BASF, the globally leading BDO producer with the leading PolyTHF technology. The first units of the project will go on stream in 2015.



The key cooperation contracts between BASF and Markor were signed in the presence of Li Keqiang, Premier of China and Angela Merkel, Chancellor of Germany.

Highlights 2013

- First plant for crop protection formulation and packaging in China broke ground in Jiangsu Province
- New joint venture by BASF and Sinopec to produce INA in Maoming for the production of next-generation plasticizers
- New joint ventures by BASF and Markor to produce BDO and PolyTHF in Xinjiang Uygur Autonomous Region



BASF coatings protect the blades of this wind turbine at Hamburg's port. China today is the largest wind power producer and depends on BASF solutions to make wind power efficient.

Strategic areas

Overview

In 2050, around nine billion people will live on this planet. On the one hand, this population growth is associated with enormous global challenges but we also see many opportunities, especially for the chemical industry. We expect the chemical industry to grow particularly strongly in the emerging economies, and that these markets will account for around 60% of global chemical production by 2020. Innovations based on chemistry will play a key role in three areas in particular:

Resources, environment and climate

Dramatically rising energy demand is one of the world's most pressing challenges. In addition, access to clean water and efficient use of resources are becoming increasingly important.

Food and nutrition

A growing world population obviously needs correspondingly more food. And it will be necessary to enhance nutrition quality.

Quality of life

Population growth and globalization present further challenges. Aspirations differ greatly from region to region and among different social groups, but there is a common ambition: People want to improve their individual quality of life.

BASF's products and solutions contribute to conserving resources, ensuring nutrition, and improving quality of life.



Resources, environment and climate



Food and nutrition



Quality of life

We create chemistry for a sustainable future

We combine economic success, social responsibility and environmental protection. Through science and innovation, we enable our customers in almost all industries to meet the current and future needs of the society.

Resources, environment and climate

Sustainable solutions powered by chemistry

The conservation of energy and resources has become more important than ever. Chemistry enables the development of sustainable solutions which can significantly reduce energy consumption and environmental impact along the product lifecycle.

Lightweight on the move

Lightweight solutions lower energy and raw material consumption in manufacturing and application of a variety of products. One of the prime fields for lightweighting is transportation: It is estimated by carmakers that a weight reduction of 100 kilograms in vehicles can bring down their CO₂ emission by 10 grams per kilometer.

The base for lightweighting is innovations in lighter materials. Tough and durable as steel, such new “plastics” materials are combining various kinds of glass fiber, carbon fiber and metal powder through chemistry. As China has an increasing demand for plastics and composites, BASF has a strong research and development team in the country and Asia Pacific as a whole, who is continually working on developing the best composition of these advanced materials for various industries including wind energy, automotive and railway.

BASF is committed to supporting China’s ambitious plan of building 16,000 km of high-speed railway lines by 2020. The company provides its Elastoflex® innovative polyurethane (PU) composite solutions which can be applied in many functions for lightweighting in high-speed railway vehicle construction. For example, Elastoflex long fiber injection is applied for exterior roofing. The long fiber injection process cuts glass fibers from a reel, and then chops them into superfine fibers which are mixed with the PU reaction system. This combination yields a lightweight but extra-strong composite material with a high stiffness.

Lightweight all-plastic e-bicycle

In October 2013, BASF presented an all-plastic e-bike. The “Concept 1865 – Rethinking Materials” e-bike utilized 24 different BASF plastics, including a polyurethane composite, thermoset epoxy resins and performance foam plastic to build wheels, the body and wires. The plastic body and chassis weigh 60% less than comparable steel parts. Lightweight plastics replacing metal will help China’s automotive industry reduce weight and emissions.

Supporting sustainable living in China

In construction, increasing emphasis is being laid on measures to save energy. BASF offers a wide range of innovative insulation materials, and promotes sustainable construction concepts in China such as the passive house. A passive house is an optimally insulated building constructed with various energy-saving technologies, which only needs “passive” measures such as natural ventilation, lighting and sunlight heating to realize a comfortable indoor environment.

Invited by China’s Ministry of Housing and Urban-Rural Development, BASF is helping formulate a standard for passive house construction in Hebei Province. BASF contributed specifically to the performance specifications of adhesives, base coat, expanded polystyrene board and graphite expanded polystyrene board, which define benchmarks for minimum quality needed in passive house projects.

Climate across China varies greatly, ranging from the northern climate zone with its dry and cold winters – where Hebei is located – to subtropical climate in the south. BASF has the capability to provide construction solutions for a wide range of different weather conditions which present diverging requirements for buildings and passive houses in particular. During 2013, BASF supported the construction of the passive house “Bruck” in Changxing, in the Yangtze River Delta Area of hot summers and cold winters, which is the first project of its kind to be realized in southern China’s damp and warm climate. It is a model eco-boutique hotel, erected by Shanghai Landsea Architecture Technology Co. Ltd. The test and simulation result demonstrated that passive house “Bruck” excels in air tightness and consumes less energy per unit area, compared with the standard for passive house in area with hot summers and cold winters.



The picture shows the all-plastic e-bike.



BASF supplies Neopor insulation panels for “Bruck”.

BASF supplied “Bruck” with high-performance products and solutions which include Elastospray® CH spray polyurethane foam for roof, and the Neopor® insulation panels for applications to wall. Containing tiny graphite particles that reflect radiant heat, the Neopor foam has 20% higher insulation performance and is about 20% thinner than the traditional EPS board. With Neopor, raw materials are saved up to 50%, which contributes to cost savings and carbon emission reduction.

Master Builders Solutions® brand

Master Builders Solutions brand from BASF was rolled out in Asia Pacific in 2013. The comprehensive portfolio under the Master Builders Solutions brand encompasses concrete admixtures, cement additives, chemical solutions for underground construction, waterproofing solutions, sealants, concrete repair and protection solutions, performance grouts and high-performance flooring products.

Solutions for organic waste enabled by ecovio®

In China, most organic waste is currently landfilled or incinerated, which is environmentally detrimental. The alternative is a system which separates biodegradable waste at its source and takes it to industrial composting. BASF has developed its certified compostable and biodegradable polymer ecovio®. Organic waste collected in compostable bags made with ecovio can be hygienically composted with the bag. ecovio biodegradable cups and plates can be disposed and composted together with the leftover food to become useful compost.

In China, leading market players are actively involved in ecovio pilot projects. For example, BASF cooperated with the organizers of China Fashion Week in October 2013 in Beijing to showcase how ecovio can improve the environmental footprint of a large event. During China Fashion Week, all food and drinks were served in ecovio cups and plates. These leftover food or organic wastes were disposed together with the certified compostable waste bags also made from ecovio. The organic waste was then hygienically transported to an industrial composting site which is operated by the experienced industrial composting German company UTV AG. At the site, all organic and biodegradable waste collected from China Fashion Week was converted into high quality compost for local soils around Beijing.

Similarly, BASF served all its food and drinks at the BASF booth in ecovio cups and plates at international plastics exhibition and conference Chinaplas in May 2013 in Guangzhou.



BASF launched the Master Builders Solutions brand in China in 2013.

Food and nutrition

Solutions for healthy and nutritious food

BASF develops, produces and markets a comprehensive range of products and services for human and animal nutrition, for the pharmaceutical, flavor and fragrance industries as well as sustainable solutions for agriculture. We strive to contribute to a better life through improving the nutrition, health and wellbeing of people across the world.

Farmers' favorite brand in China

In 2013, BASF won the "Chinese Farmers' Favorite Pesticide Brand" award for the second time in a row. The award is presented by a group of Chinese media which asked individual farmers of large plantations, vegetable and specialty farms as



BASF won the "Chinese Farmers' Favorite Pesticide Brand" award.

well as plant protection professionals to vote through online polling and questionnaires. Organizers also visited 138 farms across China's major grain, vegetable and specialty crop planting areas to conduct on-site investigations. The cornerstone of BASF's success and popularity among China's farmers is our complete portfolio of plant protection products, advanced and sustainable farming technologies, as well as the professional service team.

The agriculture team of BASF Greater China not only helps farmers in the field with various planting problems, but also guides them on how to protect the environment and to grow safe and high-quality crops. BASF's agricultural team regularly visits professional co-operatives, growing bases and individual growers to listen to their needs and to develop customized solutions together. Moreover, BASF runs regular farmer education activities across the country.

BASF's agricultural solutions include AgCelence® which is a crop protection product line to improve crop immunity and resistance to environmental changes, and Cabrio® which is a broad-spectrum, fast-acting fungicide against major diseases threatening Chinese crops. The Cabrio Top Big Caravan Project offers free training in growing technologies and managerial experience to farmers. In April 2013, training was provided at a banana growing base in Yunnan Province to which experts from the Philippines were invited to share their experience in banana growing and brand building.



One of our employees was visiting the pea base in Chengjiang County.

Training China's farmers

BASF runs regular farmer education activities in China. Its regular farmer meetings provide farmers with focused training and opportunity to explore solutions on yield increase. BASF has also set up test plots where farmers can discuss planting methods, management techniques, and how to control of diseases, pest and weed. BASF conducted a series of training programs in 2013 with the participation of more than 310,000 farmers.

Live Newtrition™ initiative in China

Food provides people with the energy for life. To this end, BASF offers a broad selection of high-quality vitamins, carotenoids, functional and food ingredients, process aids, as well as ready-to-market product concepts. In 2013, BASF officially launched its global brand Newtrition, as well as its new global market initiative Live Newtrition, aiming at developing innovative new solutions together with customers through in-depth market understanding and extensive knowledge.

In 2013, the company introduced a wide variety of innovative products to the Chinese market, illustrating how new concepts and solutions can meet China's consumer demand as lifestyles and habits continue to change. BASF's products include carotenoids, omega-3 fatty acids, vitamins and functional ingredients which can be used in either liquid or solid form in foodstuffs such as staple-enriched cereals, dairy products like yogurt drinks, infant and child nutrition products, spreads, dressings or desserts.

BASF Newtrition Asia Grant

Under the Newtrition brand, BASF has established a grant program as a scientific research platform for scientists to connect and exchange ideas. The grant program stimulates innovation and demonstrates BASF's dedication to advancing human nutrition science. The current focus of the grant is on plant sterols, a key cholesterol lowering ingredient for human nutrition. Its ultimate aim is to design and launch new products which help meeting the needs of the aging population and reducing chronic conditions in Asia.

Brilliant juice colors with BASF carotenoids

Nutritious juices and dairy beverages now come in brilliant colors created by BASF specialists. The colorful carotenoids provide consumers with an enjoyable experience with nutrition-enriched beverages. BASF's Live Newtrition™ initiative has brought these products to China.

New findings from ongoing research projects in China which have received the Newtrition Asia Research Grant since 2012 include the treatment of atherosclerosis via supplementation of plant sterols and initial understanding about the synergy of traditional Chinese medicine and plant sterols in cholesterol management. Other projects are focusing on plant sterol effects in diabetes prevention and treatment, as well as the improvement of memory among the elderly.

Enriched milk powder for lowering cholesterol

In Asia, lifestyle changes due to urbanization, dietary changes or reduced physical activity have led to an increase in cardiovascular diseases. These are caused, in part, by high cholesterol levels.

In 2013, BASF collaborated with Nestlé China to develop a new milk powder for heart health. BASF's comprehensive customer-centric and innovative support in scientific marketing, regulatory and clinical study helped to launch the product successfully. The milk powder, targeting middle-aged to senior people with high cholesterol levels, has a high dosage of plant sterols (1.5 grams per day plant sterol) which is more than double the dosage of other products in the Chinese market. Scientific studies¹ show that an intake of 1-3 grams of plant sterols and sterol esters per day can consistently lower blood levels of total cholesterol by 6-10% and LDL-cholesterol by 8-15%.



The picture shows the brilliant juice colors with BASF carotenoids.

¹ Source: Katan MB, et al. Efficacy and safety of plant stanols and sterols in the management of blood cholesterol levels. Mayo Clinic Proceedings. 2003, 78:965-978

Quality of life

Solutions to enhance our daily life

BASF's products are usually invisible yet essential components of many innovative solutions that contribute to the comfort, convenience and safety of our daily lives.

Adding color to new General Motors concept car

Color is a very distinct feature of every car which conveys emotion and is subject to trends in society and culture. BASF has long been committed to color design in collaboration with customers from the automotive industry. To this end, BASF's color designers closely cooperate with car manufacturers and are involved from the early stages of the car design.

For example, BASF's color design experts, in cooperation with the Pan Asia Technical Automotive Center (PATAC) that serves as the design and engineering center of Shanghai General Motors Co. Ltd. (SGM), have developed a unique Ice Cyan-Jade color for GM's new Buick Riviera concept vehicle. Throughout the whole design process, BASF worked closely with PATAC to find the perfect combination of shape and color. The sleek new Buick Riviera, which made its global debut at the Shanghai Auto Show in April 2013, won the Red Dot Award in the category of "Design Concept", making it the first China-designed model to be honored with this prestigious international award.

Hexamoll® DINCH® for medical devices application

BASF knows product safety is of prime importance to our customers and end-users. For this reason, we have introduced Hexamoll DINCH, the trusted non-phthalate plasticizer. It has been especially developed for applications with close human contact and is used in the production of soft polyvinyl chloride



BASF's Hexamoll® DINCH® is used in medical devices.

(PVC), a material fundamental for everyday products such as toys, mats, flooring, sporting goods, cling film, or medical tubes.

In October 2013, the China Food & Drug Administration has approved an extracorporeal circulation pipeline made by the large local medical devices manufacturer Weigao New Life Medical Devices Co. Ltd. This product, which is manufactured with BASF's Hexamoll DINCH, is used as a pipeline for extracorporeal blood circulation during cardiac surgery. Specific types have been developed for adults, children and babies. The approval is a breakthrough for Hexamoll DINCH applications in medical devices in China, which could, for example, also be used in blood bags or intravenous tubes.



The picture shows the new Buick Riviera concept car.

Ice Cyan-Jade: color of the new Buick Riviera

The graceful and refreshing Ice Cyan-Jade color of the new Buick Riviera combines a cool jade-like tone with a touch of light aquamarine blue. It is a product of localized design that pays great attention to Chinese tradition and at the same time reinterpreted it with modern features.

To strengthen safety standards in the development, use and production of PVC products in the Asia-Pacific Region, BASF initiated its Hexamoll DINCH Trusted Partners program which celebrated its first anniversary in 2013. To take part in the program, which aims to engage industry leaders to guarantee highest possible standards of product safety along the soft PVC value chain, applicant companies have to complete a qualification process, conducted by the BASF Plasticizer Lab in Shanghai and an independent certification body, TÜV Rheinland. Companies from China, Hong Kong, Taiwan, India, Japan, South Korea, Indonesia and Vietnam have participated in Hexamoll DINCH Trusted Partners program to jointly work towards a common vision, consumer protection.

High-performance and sustainable textile printing

China has been a key player in the textile market for many centuries and continues to lead global production. As the country is moving up the value chain, demand of high-quality solutions across industries, including the textile sector, is on the rise. At the same time, there is growing need for sustainable solutions especially for printing processes. BASF as one of the leading suppliers of textile chemicals has developed a range of eco-friendly solutions that support a sustainable textile industry.

For example, BASF's Eco Speed Printing System is a high-performance and eco-friendly textile printing system which produces superior quality of textile prints compared to traditional processes while maintaining a soft feel of the fabric. The system uses pre-formulated print paste, which ensures better fastness – especially light and washing fastness – and better coloring effects of the fabric. Printed shapes are less fuzzy as a result of the reduction of wet processing in the system.

Moreover, pre-formulated print paste reduces both resource consumption and chemical waste while ensuring premium print quality. Thus, the BASF Eco Speed Printing System can save up to 60% of water and energy, hence increasing resource efficiency and reducing the total cost of textile printing.

Swedish furniture retailer IKEA now applies this high-performance and sustainable textile printing solution in its cotton bed-sheet production in China, which has strict requirements on soft feel, color durability, resource savings and consumer safety. To this end, BASF also cooperates with IKEA's supplier, textile dyeing and printing mill Yuyue.

Sustainable textile solutions

BASF's textile chemical solutions cater to the entire textile value chain, which includes sizing, pre-treatment, dyeing, printing, finishing and coating, and also ensure soft feel, color durability, resource savings and consumer safety. At every step throughout the textile processing, the company's solutions such as BASF ECO Speed Printing System give customers competitive advantages derived from lower water consumption, shorter processing time and cost savings.



BASF provides high-performance and sustainable solutions to China's textile industry.

Innovation

Fostering innovation from Asia Pacific for Asia Pacific and the world

BASF is committed to fostering innovation in Greater China and Asia Pacific connected to the powerful network of global resources. With its enhanced research and development (R&D) capability, and in-depth collaboration with partners and customers, the company's Innovation Campus Asia Pacific in Shanghai is emerging as an important research hub for the whole region.

Growing regional research capability

BASF's Innovation Campus Asia Pacific is bringing the scientific community and our experts and partners from the whole region together at the Pudong site in Shanghai, also the location of the company's Greater China headquarters. One year after its



BASF opened a new technical service lab for mining in Shanghai, which serves the Chinese mining market.

inauguration in late 2012, the Innovation Campus is now home to around 16 R&D units and several lab buildings. The Innovation Campus aims to provide a cooperation platform for scientists, technical experts, business colleagues and customers to innovate for the future.

BASF established several new labs at the Innovation Campus in 2013, which are all incorporated into its global research network. One of them is a global innovation center for Leather and Textile Chemicals, which creates high value-adding applications to automotive and leather industries. BASF also opened a new Adsorbents Application Development Center. Here, local BASF adsorbents experts provide technical service and advanced applications development for mercury removal from natural gas and related hydrocarbon purification activities. Other new additions are an Application Technology Lab for Catamold®, BASF's ready-to-use raw material for metal and ceramic injection molding, and a technical service laboratory for mining solutions.

Apart from its facilities in Shanghai, BASF operates many R&D facilities across Greater China, which includes an Agricultural Research Station in Pingtung, a Polyurethanes Lab in Guangzhou and a Catalyst Engine Lab in Guilin. Its R&D portfolio covers every step from research, product development, testing, approval and registration to application technology development.

Network for Advanced Materials Open Research

In early 2014, BASF launched the Network for Advanced Materials Open Research (NAO) at the Innovation Campus. NAO is a research platform jointly supported by BASF and leading universities and institutes in China, Japan and South Korea in the field of advanced materials. Through the open innovation enabled by close collaboration within the scientific community at NAO, new functional materials are developed for many different industries including automotive, construction, detergent and cleaner, water and wind energy.

At the same time, NAO represents a great opportunity for talented scientists to develop their expertise with the chemical industry. They experience close cooperation, commitment and openness not only in research projects led by renowned professors and experienced mentors at BASF, but also through tailor-made career development programs within the company.

Together with the open research centers JONAS in Europe and NORA in North America, NAO represents an important part of the BASF global academic network.

Sino-German Research and Development Fund

For many years, BASF has been committed to supporting scientific research in Greater China. One example is the long-standing Sino-German Research and Development Fund, which was established by BASF in 1997 to forge collaboration with the Chinese scientific community and in turn enhance BASF's R&D strength in China. To this end, BASF cooperates with universities, research institutes under the Chinese Academy of Sciences, and R&D companies through the fund. More than ¥100 million (approximately €11.5 million) has been invested in the fund. It has established 235 research projects with 102 Chinese research groups.

BASF also organizes and supports local and international conferences. For instance, in 2013 BASF and the Chinese Academy of Science jointly presented the CAS - BASF FormulAsia 2013 conference to discuss the application of nano structural materials and formulating technologies in electronic and energy fields, aiming to promote the commercialization of research findings.

Supporting scientific research in Greater China

> ¥100 million

(approximately €11.5 million) has been invested in Sino-German Research and Development Fund. It has established 235 research projects with 102 Chinese research groups.

Connect to inspire for a sustainable future

At the BASF Innovation Campus Symposium held in January 2014, BASF employees and experts from leading companies in various customer industries were engaged in "Connect to inspire" workshops, and generated various ideas on how to leverage innovations from chemistry to contribute to sustainable innovations for life in 2025. This helps to transform inspirational ideas into solutions that are tailored to the needs of the customers and society all over the region.



BASF employees discussed ideas with a guest expert at 2014 Innovation Campus Symposium.

Fostering open research in the region

In early 2014, BASF established the research initiative "Network for Advanced Materials Open Research" (NAO) together with seven leading universities and research institutes in China, Japan and South Korea. The scientists aim to cooperate in developing new materials for a wide range of applications. The initial focus is on products for the automotive, construction, detergent and cleaners industries as well as the water and wind energy industries.



The opening ceremony was held in March 2014.

New solutions for sustainability and safety

Every year, BASF researchers develop innovative and sustainable products in many industrial sectors. BASF achieved significant research milestones in Greater China this year, and received wide recognition from customers.

Innovative solutions for the automotive sector

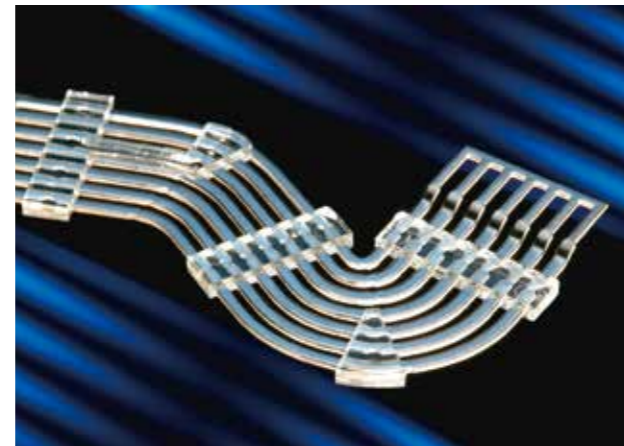
One of the key fields that BASF has been successfully developing innovative and sustainable products together with local customers, is the automotive sector. BASF has greatly increased research capacity in this field in China, and has launched many products that support our customers in building safe and environmentally-friendly vehicles.

In 2013, BASF received several awards by customers, highlighting its contribution to their innovations. In March, the company was recognized as a Best Quality Supplier 2012 by the Autoliv Group for its achievement in developing a customized steering wheel based on the high quality Elastofoam® I integral skin foam system. In April, Great Wall Motors Company Ltd. named BASF an "Excellent Supplier" for the second consecutive year, honoring BASF's contribution in developing customized interior parts with enhanced safety and comfort, also based on Elastofoam I, integral skin foam systems, as well as Elastoflex® W flexible foam systems.

In October, BASF received the Innovative Supplier Award from Faurecia China for its achievements in significantly reducing Instrument Panel density by using Elastoflex® E, a semi-rigid PU foam system, without compromising on comfort and safety. In January 2014, BASF was honored with the Technological Progress Award from Shanghai General Motors

Co. Ltd. (SGM). The award recognized BASF's outstanding contributions to the technological progress and local innovation of SGM in 2013.

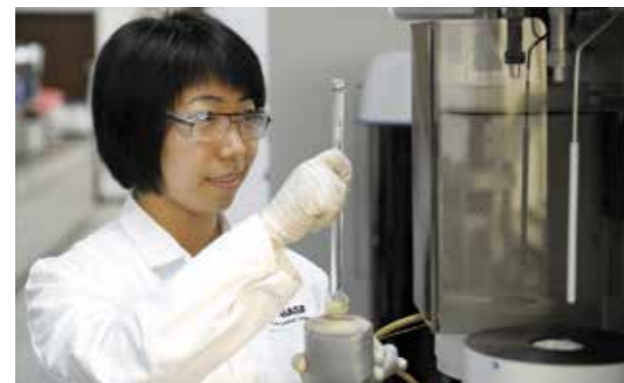
In response to the growing demand in China's automotive industry for more sophisticated electronics systems in cars, BASF in October 2013 launched Ultramid® Seal-Fit, an innovative complete injection-molding solution for tight plastic overmolding of metal inserts. Ultramid Seal-Fit can significantly improve safety of electronic systems and mitigate the risk of malfunction, as the seal prevents liquid from permeating and harming the function of electronic components. In an evaluation conducted by the BASF Engineering Plastics R&D Team in Greater China, the results showed that overmolding of metal parts with Ultramid Seal-Fit completely prevented leakage of oil, water and gas.



Ultramid Seal-Fit significantly improves the safety of electronic systems.

Advanced catalysts solutions for better air

The tightening emissions regulations, new engine technologies and fluctuating materials prices create challenges for effective emissions control. Our R&D scientists and engineers develop advanced emissions catalyst technologies to help customers meet the challenges.



The picture shows a researcher conducting an experiment in the catalysts lab.

Emission regulations for vehicles are continuously being tightened, globally as well as in China. BASF has unparalleled expertise in developing and commercializing advanced emissions catalyst technologies to enable clean air and help make our customers more successful with innovative, cost-effective solutions to meet the most challenging emissions control regulations for light and heavy duty vehicles.

For example, BASF has developed the innovative Four-Way-Catalyst (FWC™). While traditional Three-Way Catalysts (TWC) remove carbon monoxide (CO), hydrocarbons (HC) and oxides of nitrogen (NO_x), new emission standards such as Euro 6 also require particulate matter (PM) control. BASF's innovative FWC now combines the functionality of a TWC catalyst with a filter to remove all four pollutants with just one component, applied in a fully-integrated system. For heavy duty vehicles, BASF offers its patented SCRof™ technology which can control NO_x and PM emissions from diesel engines on a single substrate. Another BASF innovation is PremAir®, the first commercial product that destroys harmful ground-level ozone already in the air and converts it into oxygen.

Ozone-friendly PU insulation foam for reefers

Due to climate protection agreements under the Montreal Protocol, stratospheric ozone-depleting substances used in foams by the reefer industry have to be phased out in 2015. This means that a substitute for the current blowing agent HCFC-141b has to be found. To this end, BASF researchers in Shanghai have developed a new rigid polyurethane foam system that uses c-Pentane as blowing agent. C-Pentane has zero ozone depleting potential and also shows a good blowing performance.

Over the years, the BASF researchers have closely cooperated with local target customers in developing the system. It has already passed a series of scientific tests in BASF laboratories and customer line testing. Starting in 2014, the new product will be launched in the market, providing our customers with a more environmentally friendly solution to produce PU insulation material.

New formaldehyde-absorbing dispersions clean the air

Real estate development is growing rapidly in China as well as in other countries in the region. At the same time, there is increasing concern about the hazard from formaldehyde emissions in connection with decorative materials. To this end, BASF experts have developed a new formaldehyde-absorbing dispersion at the BASF Innovation Campus in Shanghai. The new product, launched in late 2013, is used as an ingredient for interior decorative paints.

Formaldehyde concentration in a newly decorated room can be very high as it is released from new furniture, carpets, adhesives or paints. Paints using BASF's new product can permanently remove up to 90% of the free formaldehyde within one day after applying paint to a room. Thus, the product provides a cleaner and healthier environment for inhabitants. The product, currently being tested by several customers, also has excellent anti-yellowing properties and superior scrub resistance. Locally developed for local demand, the new product perfectly meets one of the Innovation Campus concepts: from Asia Pacific for Asia Pacific and the world.

Sustainable solutions through polyurethane research

The polyurethane research and development in Shanghai aims to reduce the environmental impact of manufacturing processes and end products. Measures include creating end products that can be used for building insulation, automotive interior applications and reefer insulation.



The pictures shows the researchers at the polyurethane lab at BASF Innovation Campus Asia Pacific (Shanghai).


Environment, health and safety

Responsible Care Management System

BASF's Responsible Care Management System (RCMS) comprises the global rules, standards and procedures for environmental and health protection, safety and security for the various stations along our value chain. It allows BASF to achieve compliance with regulatory and internal requirements, operate safe and environmentally sound facilities and manufacture safe products. Adherence to the processes in RCMS drives continuous improvement in performance and increases the efficiency and effectiveness of EHS-related activities.

Promoting Responsible Care in Greater China

As the world's leading chemical company, BASF strives to implement and promote the internationally accepted best practices of the chemical industry – not only to all of our sites in Greater China, but also to customers and suppliers. One example is our successful "1+3" CSR project, which aims to achieve sustainability along the whole supply chain.

 For more on the "1+3" CSR project, see page 44

To further promote EHS best practices, BASF joined the China Petroleum and Chemical Industry Federation (CPCIF) in 2013. At CPCIF, the company has taken on a leading role in promoting high EHS standards as well as practices in transparent communication and emergency response in the local chemical industry. In addition, BASF supports the Association of International Chemical Manufacturers (AICM) on a Responsible Care course in collaboration with the East China University of Science and Technology. The classes conducted by BASF EHS experts were videotaped and edited into e-learning materials available for 50 universities in China free of charge.

In order to increase awareness of Responsible Care principles and general EHS knowledge among employees, BASF runs a number of training programs in Greater China. For example, in 2013 the company organized two "Safety Leadership" training sessions for some 30 senior executives of BASF. To enhance driving safety, more than 400 shuttle bus drivers and BASF employees who drive their own cars to work attended defensive driving training across China.

One important part of Responsible Care in Greater China are our annual C.A.R.E. events which promote safety habits within the sites around the country. Since their inception in 2008, more than 10,000 employees, leased staff and contractor workers have joined C.A.R.E. events in China.

Product stewardship

We review the safety of our products all the way from research to production, and finally to our customers' application and disposal. BASF provides extensive information on its chemical products to customers and the public, as well as safety data sheets in more than 30 languages including Chinese. The aim is to make sure that chemical products can be safely manufactured, marketed, transported, handled, processed, consumed and disposed throughout their life cycle.

We continuously monitor and observe the implementation of the UN-sponsored Globally Harmonized System of Classification and Labeling of Chemicals, which classifies chemicals based on specific criteria for health, physical and environmental hazards. We have also included all the latest regulatory requirements into our product safety system to ensure our Chinese safety data sheets and product safety labels are in compliance with the regulatory framework in Greater China. We

work hard to implement the Global Trade Services (GTS) system, which is an internal BASF compliance checks and control system to protect and support our business activities. As of 2013, BASF Greater China has successfully implemented GTS in more than 30 legal entities. We strive to continuously expand GTS to new projects and facilities in the country.

In 2013, Chinese authorities released a number of implementation measures on the management of hazardous chemicals for the Regulation on Safety Management of Hazardous Chemicals (Decree 591), enacted in 2011. During this process, BASF has cooperated with CPCIF and AICM in providing industry perspectives and practical proposals.

Transportation and distribution safety

Our regulations and measures for transportation and warehouse safety encompass the delivery of raw materials, the storage and distribution of chemical products among BASF sites and customers, and the transportation of waste from our sites to the disposal facilities. We have defined and updated Group directives for the transportation and storage of chemical products both in our own warehouses and in rented facilities. In order to make the logistics of our products even safer, we set out new requirements for barge transportation in 2013. Furthermore, we introduced new requirements for the selection of external warehouses, with an increased focus on safety.

BASF stipulates worldwide requirements for all logistics service providers and assesses them in terms of safety and quality. In 2013, we assessed several dozen companies in Greater China. Our experts use our own evaluation and monitoring tools as well as internationally approved schemes, such as the Road Safety and Quality Assessment System. If we

find out that our standards are not met, we discuss with our logistics service providers and ensure that they take necessary improvement measures immediately.

Logistics service providers in China also take part in BASF safety training. In August 2013, our experts shared their methods of analyzing incident root causes with a variety of logistics service providers. We also continued our successful cargo lashing and securing project in 2013, sharing the best cargo lashing models and some good practices at the loading points of two sites.

We continuously evaluate the risks during the transportation of raw materials with high hazard potential. In 2013, BASF organized a joint workshop with employees from two of our sites in China on how to safely discharge phenol. During the event, teams of both sites cross-examined each other, which led to suggestions for further improvement at the two sites.

If an incident occurs despite all preventive measures, we provide swift and specially coordinated assistance worldwide. In Greater China, we have more than 20 transportation and distribution safety (TDS) advisors who work closely with BASF's TDS experts around the world, thereby forming a supportive network to establish procedures and learn from past incidents in order to avoid them in the future.

Occupational health and safety

The safety and health of our employees is of utmost importance to BASF. We never compromise on safety. BASF aims to globally reduce work-related accidents per million working-hours by 80% by 2020, compared to 2002, and ultimately to prevent any injuries and accidents. In 2013, we continued our solid safety performance.

Responsible Care Management System

The Responsible Care Management System (RCMS) comprises the global rules, standards and procedures for environmental and health protection, safety and security for the various stations along our value chain. Using the RCMS, BASF ensures compliance with regulatory and internal requirements, driving continuous improvement in EHS performance of facilities, processes and products.



The picture shows the environment monitoring van at Pudong site, Shanghai.

C.A.R.E. events improve safety performance

C.A.R.E. stands for C as in Communication, A as in Awareness, R as in Responsibility and E as in Excellence. C.A.R.E events are held annually in BASF sites in Greater China to improve our safety awareness and performance. For example, a 2013 event at our Nanjing site included safety lectures, competitions in forklift-driving and proper use of personal protection equipment, as well as a hazard hunt.



The picture shows the C.A.R.E. event at BASF Nanjing site.

In 2013, the lost time injury rate at BASF Greater China was at 0.6 per million working hours (2012: 0.3). Unfortunately, in 2013, one employee suffered a fatal traffic accident during a business trip. The lost time injury rate for contractors was at 0.5 per million working hours for contractors in 2013 (2012: 0.2).

Lost time injury rate BASF employees (per million working hours)

2013	0.6	<div style="width: 60%;"></div>
2012	0.3	<div style="width: 30%;"></div>

Lost time injury rate contractors (per million working hours)

2013	0.5	<div style="width: 50%;"></div>
2012	0.2	<div style="width: 20%;"></div>

For a chemical company, there are many activities, such as handling chemicals, or construction work, which require strict safety protocols. In order to minimize risks and to create a safer and healthier workplace, we have put effective occupational safety tools in place, such as hazards identification tools, job risk assessments and standardized operational procedures. All staff, including leased personnel and contractors, are required to report any potential hazard, incident or unsafe situation. Critical incidents, including lessons learnt from accidents in other countries, are shared during the monthly EHS manager

teleconference meeting in Greater China. All incidents are reported in BASF's Global Incident Database, which helps us to identify potential weak points and learn from mistakes.

Our global health management serves to promote and protect the health and productivity of our employees. Contributing to this were numerous health promotion measures and emergency drills in 2013. In Greater China, we continued to improve our performance in Health Performance Index which comprises five components: reported cases of occupational disease, medical emergency planning, first aid, preventive medicine and health promotion.

A lot of contractors need to enter BASF sites to carry out maintenance and construction work, we have set up a comprehensive contractor safety management system. This includes contractor qualification assessment, mandatory safety training before having contractor workers entering any site, checks of equipment and tools before work starts, as well as site supervision and inspection. BASF units that frequently hire contractors have shared their contractor management skills and knowledge with our Engineering Procurement Construction contractor management team through workshops. Thus, we extend our safety management competence and skills to our contractors and the industry as a whole.

Process safety

When designing a new facility, BASF applies a five-step review system from conception to startup that takes into account the most important EHS aspects in order to incorporate them early on and observe them during every stage of planning. We use a

Safety performance recognized by the government

One BASF site in Shanghai was listed by State Administration of Work Safety as "Grade A enterprise" on standardized safety management for hazardous chemical enterprises in line with the highest standard in safety management of China in early 2014. This honor demonstrated BASF's commitments to taking responsibilities for every action in production and operation, and ensuring top safety management performance in China as a responsible corporate citizen.

risk matrix to assess risks regarding their estimated probability and potential impact, and determine appropriate protective measures. In 2013, we implemented a Group directive on the annual review of process safety management systems and plant safety documentation in Greater China. Incidents at sites which lead to fires, explosions or substance release are recorded and evaluated in detail. In 2013, employees from 23 production sites in China attended process safety workshops, while several hundred people received e-training.

Emergency response and community awareness

Emergency response aims to ensure proper preparation for and appropriate action in case of any potential incident within the product supply chain. To this end, BASF has a set of globally applicable guidelines for hazard prevention and emergency response. In order to ensure the efficiency of these emergency prevention measures, BASF provides drills and trainings to relevant employees in Greater China. For example, members of management teams at sites throughout the country received Site Incident Management Team training in 2013. Drills regularly involve local fire departments.

Moreover, BASF continually expands its off-site emergency response network in China, based on the concept of mutual aid. In 2013, we provided on spot technical support to two offsite accidents. Our emergency call center, operating round the clock at 21 locations in Greater China, provides emergency services and assists employees encountering difficulties during business trips.

Emergency response

BASF implements emergency response strategies at all its plants and sites worldwide. This includes the development of fire-protection plans, regular on-site firefighting drills and employee training, in addition to firefighting simulations in case of emergency events and disasters. The photo shows the fire department at BASF Caojing site in Shanghai, which serves the entire chemical park covering 29.4 square kilometers under direction from the fire department in Shanghai Chemical Industry Park.

Security

In 2013 we continued to implement our global and regional security requirements for protecting our sites in Greater China through compulsory onsite training, especially at new sites. Implementation of this requirement is regularly verified by our security staff. We also analyze potential risks for safety, security and health of our employees, as well as for company property. We raise corrective proposals and keep continuous supervision to eliminate all kinds of risks.

Audits

Regular audits help ensure that our global standards are met for environmental and health protection, safety and security throughout the BASF Group. We carry out internal audits at BASF sites, and at companies where BASF is a majority shareholder. Short-notice audits which include facility inspections and document reviews were introduced to China in early 2014. During regular audits, we create an environmental, safety and security profile that shows if our performance is sufficient to properly address the existing hazard potential. If this is not the case, we agree on measures and conduct follow-up audits on their implementation soon afterwards. BASF also adopts recognized external standards. As of 2013, 22 sites in Greater China are certified with the ISO 14001 standard for environmentally friendly production facilities.



The picture shows the fire department at BASF Caojing site, Shanghai.

Environmental protection

BASF is committed to maximizing energy efficiency and to protecting the climate. To this end, we have established energy-efficient production processes and use efficient technologies to make our products. These efforts do not end at our doorstep, as we cooperate with our business partners in our pursuit to reduce emissions along the entire value chain of our products.

Energy

In 2013, the total energy consumption of BASF in Greater China rose, including electricity, steam, and fuel, mainly due to the opening of new sites in Jiangsu, Guangdong and Tianjin. Electricity consumption totaled 420,987 MWh (2012: 376,375 MWh), and steam consumption totaled 2,584,327 metric tons (2012: 2,406,035 metric tons). Fuel consumption for central energy supply decreased from 821,198 MWh in 2012 to 820,302 MWh in 2013. We are continuously working towards our long-term goal of reducing the specific energy consumption per ton of product. Our strong efforts to improve energy efficiency are expected to result in continued improvements in the coming years.

Carbon emission trade

In Greater China, we are committed to reducing carbon emissions through our advanced technology and continuous efforts to optimize energy use and to improve all production processes. Since 2012, six BASF sites in Shanghai have been actively participating in the carbon emission trade pilot scheme

approved by the National Development and Reform Commission. In 2013, BASF supported the local government by attending training sessions, submitting data, confirming its allocated initial free allowance, as well as actively trading for legal compliance. Moreover, BASF works closely with industry bodies such as the Association of International Chemical Manufacturers (AICM), and conducts direct dialog with the government.

Electricity consumption (MWh)

2013	420,987	
2012	376,375	

Steam consumption (metric tons)

2013	2,584,327	
2012	2,406,035	

Fuel consumption (MWh)

2013	820,302	
2012	821,198	

Greenhouse gas emissions

In 2013, emissions of greenhouse gases from BASF's chemical operations in Greater China totaled 0.92 million metric tons (2012: 0.83 million metric tons). This increase was mainly due to newly opened sites and buildings. BASF works at all sites in Greater China to reduce carbon emissions as much as possible. For example, one site in Shanghai upgraded its production process in 2013 by replacing liquefied petroleum gas (LPG) with compressed air while removing the flash burr in the products. This change saves energy and has improved the working environment. Two sites in Taiwan and Shanghai replaced their electricity heat boilers with natural gas boilers which are more energy efficient. Other examples are improvements of heating and lighting systems in another site in Shanghai, and an upgrade to air compressors at another Taiwan facility.

Greenhouse gas emissions (metric tons of CO₂ equivalents¹)

2013	918,331	
2012	828,494	

¹ CO₂ equivalents include: CO₂, N₂O, CH₄, HFC, PFC, SF₆

Emissions to air

Besides measuring greenhouse gas emissions, we also monitor emissions of air pollutants which include inorganic compounds such as carbon monoxide (CO), sulfur oxides (SO_x), nitrogen oxides (NO_x), ammonia as well as dust and non-methane volatile organic compounds (NMVOC). In 2013, emissions to air from BASF's chemical operations in Greater China totaled 530 metric tons (2012: 439 metric tons). This increase mainly resulted from the opening of new sites. We work at all sites to use environmentally friendly fuel to further reduce air pollutants. In 2013, two sites in Jiangsu and Shanghai started to use natural gas instead of LPG and diesel oil, respectively. We continuously improve our off-gas treatment facilities. For example, two sites in Taiwan and Liaoning improved their boiler and filter systems, respectively, to reduce dust emission. Two sites in Shanghai and Shandong optimized their processes to reduce NO_x and dust emission.

Air pollutants (total)¹ (metric tons)

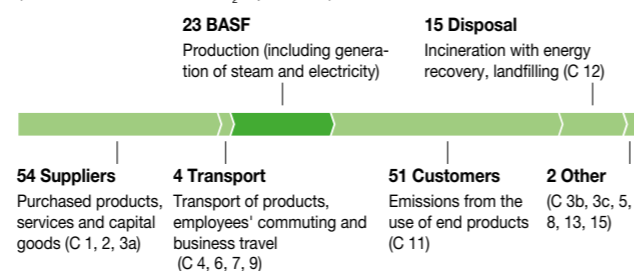
2013	530	
2012	439	

¹ Air pollutants consist of: CO, NO_x, SO_x, NMVOC (Non-methane volatile organic compounds), dust, NH₃, and other inorganic compounds

Corporate carbon footprint

BASF has been publishing a comprehensive corporate carbon footprint as early as 2008. This reports on all emissions along the value chain and shows the volume of emissions prevented through the use of our climate protection products. We plan our climate protection activities along the value chain based on our corporate carbon footprint.

Global greenhouse gas emissions along the BASF value chain in 2013¹ (in million metric tons of CO₂ equivalents)

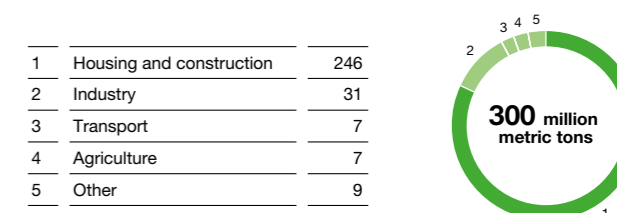


¹ According to Greenhouse Gas Protocol, Scope 1, 2 and 3 (categories within Scope 3 shown in parentheses)

Climate protection products

We have defined climate protection products as those product groups which, compared with the alternatives, prevent greenhouse gas emissions from production and use to disposal, and whose eco-efficiency is at least as good as that of the alternatives. The use of climate protection products we sold in 2013 prevents the emission of 300 million metric tons of CO₂ globally for our customers (2012: 320 million metric tons).

Prevention of greenhouse gas emissions through the global use of BASF products by sector (in million metric tons of CO₂ equivalents)



Water

We use water as a coolant, solvent and cleaning agent, as well as to manufacture our products. We are committed to responsible water use along the value chain. To this end, we have set ourselves global goals to use water as sparingly as possible and further reduce emissions to water. BASF sites in Greater China follow a Group directive which sets globally applicable standards, and explore measures for implementing sustainable water management. This is highly important for China as a water-stress country.

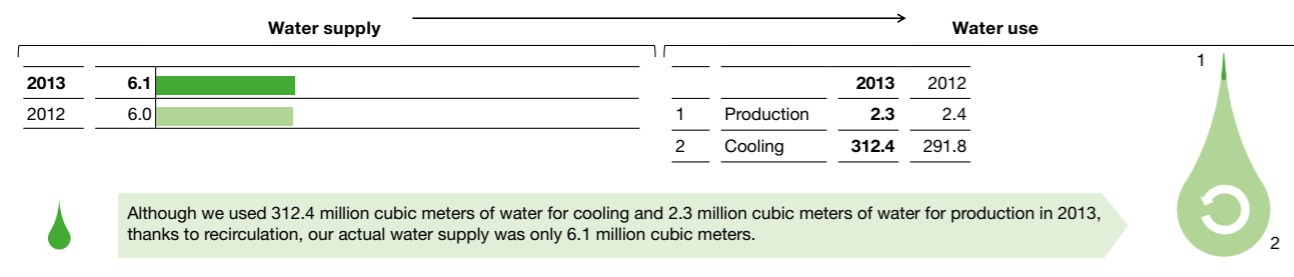
BASF strives to reduce water consumption and to reuse as much water as possible. In 2013, water supply at BASF in Greater China was 6.1 million cubic meters, roughly the same as 2012 (6.0 million cubic meters). Most water is used for cooling where we circulate as much water as possible. In 2013, our water use for cooling amounted to 312.4 million cubic meters (2012: 291.8 million cubic meters). This increase is mainly due to the opening of new sites. Water used for production totaled 2.3 million cubic meters in 2013 (2012: 2.4 million cubic meters). This decrease mainly resulted from process optimization, as well as projects to recycle and reuse water at several sites. For example, one site in Shanghai optimized its process to reduce caustic wash water consumption. A site in Liaoning shortened the cleaning time of the spray process to reduce waste water. One site in Jiangsu improved its filter press process to reduce demand of dilution water. Moreover, condensation water and rain water are recycled and then used as process water at several sites in Guangdong, Jiangsu and Shanghai.

Emissions to water

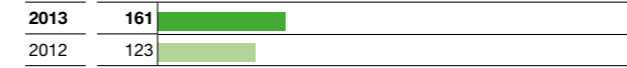
To avoid unanticipated emissions, we continuously review our water protection mechanism at several sites in Greater China. These reviews will be expanded to all production sites in China by 2015. Many BASF sites in Greater China already have waste water online monitoring systems in place which enable them to quickly monitor and catch pollutants in our waste water.

In 2013, emissions to water of organic substances (COD) and nitrogen from BASF's sites in China have increased, mainly due to the opening of new sites. Emissions of organic substances increased to 161 metric tons (2012: 123 metric tons). Emissions of nitrogen increased to 22 metric tons (2012: 17 metric tons). Emissions of heavy metals were at 0.1 metric tons (2012: 0.1 metric tons). Meanwhile, two sites in Jiangsu and Liaoning managed to reduce their emissions of organic substances through process optimization. One site in Shanghai invested for the pre-treatment of highly concentrated waste water. One site in Taiwan upgraded its waste water treatment facility.

Water use in Greater China in 2013 (million cubic meters)



Emissions to water (total): Organic substances (COD) (metric tons)



Emissions to water (total): Nitrogen (metric tons)



Emissions to water (total): Heavy metals (metric tons)

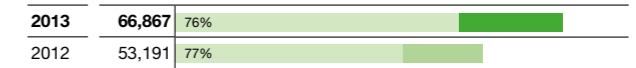


Waste

In 2013, waste generated from BASF's chemical operations in Greater China totaled 66,867 metric tons (2012: 53,191 metric tons). The increase of the waste generated is mainly due to the opening of new sites in 2013. Meanwhile, the recovery rate was 76% (2012: 77%).

BASF continues to work on reducing waste and recycling as much waste as possible. For example, one site in Jiangsu reused defective products and by-products through process optimization, which reduced its waste. A site in Shanghai reworked and recycled its granule products. One Taiwan site began to recycle raw materials from waste liquid for example by using waste water to dissolve waste salts. Another site optimized its packaging recycling process, which resulted in the reuse of 58% of their waste drums.

Waste (total) (metric tons)



■ Amount of waste ■ Amount of recycled waste

Saving cost and carbon by reusing waste drums

In 2013, one site in Taiwan began a project aiming to reuse waste drums by optimizing the disposal process in cooperation with customers who started sending drums back to the site. With the help of the new system, the site managed to reuse 58% of its waste drums, while avoiding emissions of more than 900 tons of carbon dioxide per annum. The project is being expanded in 2014.



The picture shows the waste drums at a BASF site.

Employees

Forming the best team

As of the end of 2013, BASF in Greater China had 7,606 employees (2012: 7,305). Our employees are fundamental to achieving the goals of the “We create chemistry” strategy. To meet the targets established by our regional Asia Pacific strategy “grow smartly”, the company requires a high performance culture. BASF aims to attract the right people and create space for their performance and personal development across regions, divisions and teams.

Strategy

Our Best Team Strategy is derived from our corporate strategy and simultaneously contributes to its implementation. We want to form the best team. To achieve this, we put focus on three strategic directions: excellent people, excellent place to work and excellent leaders. We concentrate on increasing our attractiveness in worldwide labor markets, sharpening our focus on career development, and life-long learning in all regions, as well as supporting and developing our leaders.

Number of employees (as of December 31)

2013	7,606	
2012	7,305	

“Grow” with BASF

The Campus Talks are part of the BASF “Grow” Graduate Program™, which aims to recruit, train and develop talented, passionate and enthusiastic graduates from all over China by offering customized training and job rotation to lay a solid foundation for career development. In 2013, 50 “Grow” trainees were selected out of 15,000 applications nationwide.

Recruitment and new graduate programs

BASF offers attractive positions and challenging projects to help people with a variety of expertise and diverse backgrounds to develop their potential in Greater China.

The BASF “Grow” Graduate Program™ aims to recruit, train and develop talented, passionate and enthusiastic graduates from all over China by offering customized training and job rotation to lay a solid foundation for career development. “Grow” recruits are assigned a dedicated guide and experience different job roles over a period of 24 months to gain a comprehensive knowledge of BASF’s business environment and to acquire the necessary skills. By 2013, nearly 300 graduates had joined BASF through this program, and they are now working at various positions in units of business, function, research and development, production and engineering at BASF.

BASF holds Campus Talks in selected universities every year. In 2013, they were organized in Shanghai, Beijing, Guangzhou, Chongqing, Tianjin and Qingdao. 50 “Grow” trainees were selected out of 15,000 online applications nationwide in 2013.

Career development

At BASF, we regard continuous employee development as essential to form the best team. To this end, the company runs a variety of initiatives and programs to support and train aspiring employees in advancing their career.



The picture shows one of the Campus Talk sessions in 2013.

BASF has developed a new global competency model which was rolled out in Greater China in 2013. The model defines the expected behaviors applicable to all employees and managers worldwide to support “We create chemistry” strategy. The competencies are used for recruitment, learning and development, performance management, development and selection of leadership roles.

In 2013, BASF started consolidating its existing learning offerings into a global platform. This enhanced learning platform provides best-in-class learning opportunities which combine global and regionally customized programs, to drive leadership and employee development excellence. Also in 2013, BASF inaugurated a new Greater China training center at Shanghai’s Pudong site. It is now home to BASF’s interactive training and development activities in China.

As part of the leadership development programs, for ten years, the Greater China Development Center (GCDC) has been an important tool to support the development of candidates for future leadership roles. At GCDC, participants take on leadership challenges and their actions are observed and reviewed. It fosters candidates’ self-awareness, enhances their competencies and extends their network within the company.

Work-life balance

BASF is committed to creating an attractive workplace that balances the needs of our employees with the company’s requirements. To this end, we constantly review working conditions at our facilities, including equipment, transportation and working hours.

Eight essential new competencies

The new competencies define the expected behaviors in day-to-day life for employees and managers, and are fully aligned with BASF’s “We create chemistry” strategy. Eight competencies are listed in BASF’s new global competency model as crucial for success, including Drive Innovation, Collaborate for Achievement, Embrace Diversity, Communicate Effectively, Drive Sustainable Solutions, Develop Self and Others, Act with Entrepreneurial Drive, and Demonstrate Customer Focus.

BASF runs a number of programs to offer additional experiences to employees and their family members. In the Global Family Program, BASF’s host families in various countries provide accommodation for children from other countries for two weeks during the summer. Since 2006, hundreds of teenagers have taken part and experienced living overseas during their summer holiday. In 2013, teenagers from Shanghai stayed with families in Germany, Belgium and Denmark, while their counterparts came to China.

BASF’s Joint Trade Union regularly organizes leisure activities, such as a social trip to China’s garden city of Suzhou, or its popular Children’s Day Gathering, Kids’ Christmas Party and Women Salon in Shanghai.

Inclusion of diversity

BASF considers inclusion of diversity as a strategic factor for its economic success. It helps us to continuously improve our team’s performance and power of innovation, and increases creativity, motivation and sense of belonging with the company. We provide equal opportunities for all employees and are committed to equal treatment of men and women. Moreover, BASF runs a global Diversity + Inclusion initiative to strengthen the culture of appreciation and cooperation within the company.

BASF employees come from a variety of age groups. In 2013, the largest proportion of BASF employees in Greater China was from the 26 to 39 age group.

Employee age structure (proportion of employees %)

Up to and including 25 years	7.7	
Between 26 and 39 years	61.7	
Between 40 and 54 years	28.2	
55 years and older	2.4	



Employee care

The safety and health of our employees is of utmost importance to BASF. The company runs a number of programs and campaigns to promote healthy habits and to help employees in need. BASF's practices in employee care were acknowledged and included in the "Global Compact Network China Yearbook 2013", issued by the local chapter of the United Nations' Global Compact.

In 2013, the company launched a new Employee Assistance Program (EAP) which provides emotional support to employees and their family members in China. Under the program, BASF regularly invites psychologists to hold seminars for its employees covering topics such as stress management, workplace emotion management, children's education and family life. By early 2014, EAP has organized 20 lectures in Greater China. Moreover, employees can call a round-the-clock telephone hotline. About 100 calls have been received so far, which were all answered by external qualified professionals and treated strictly confidential.

BASF's Global Health Promotion Campaign runs regular health promotion activities on topics such as creating a smoke-free environment or how to create a healthy lifestyle. In 2013, the campaign specially promoted the importance of health check for employees, and offered them with extra health check programs on the basis of their regular health check packages in Greater China.

Compliance

Compliance with national law and the core labor standards of the International Labor Organization (ILO) forms the basis of our social responsibility. In 2013, BASF updated its global Code of Conduct which is binding for all employees of the BASF Group worldwide, by merging previous behavioral guidelines that are still valid. BASF's Chief Compliance Officer manages the implementation of the Code of Conduct and our compliance management system, supported by more than 100 compliance officers worldwide. BASF also employs compliance officers in Greater China.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult not only their managers but also numerous specialist departments and local company compliance officers to seek advice or report possible violations. We have also set up 50 external hotlines worldwide which our employees can call anonymously. All reported incidents are investigated by our experts.

Moreover, BASF employees regularly receive mandatory compliance training which is tailored to the characteristics of the region in which they operate. In 2013, more than 47,000 employees worldwide took part in a total of 62,000 hours of compliance training. In Greater China, several thousand employees attended compliance training and workshops, covering anti-trust, anti-corruption, conflicts of interest, gifts and entertainment, environment, health and safety, trade control, contract law and other major compliance topics.

Employee care, health, and recreation

BASF supports the Employee Assistance Program and a variety of health initiatives. BASF's Joint Trade Union also organizes recreational events. In 2013, the badminton team from the BASF Pudong site in Shanghai won the "Corporate All-star Badminton Championship" for the second year in a row.



BASF employees won the corporate badminton cup in Shanghai in 2013.

Society

Educational, environmental and social initiatives

BASF is involved in diverse social responsibility projects worldwide, especially in the communities in which our sites are located. Our employees in Greater China volunteer in various initiatives to help people in need and support environmental protection.

Earthquake relief and long-term support in Ya'an

After the earthquake in Ya'an, Sichuan Province in the spring of 2013, BASF's internal fundraising campaign has collected a total of ¥2.8 million (approximately €0.32 million) to support the earthquake relief, which includes the relief fund of ¥2 million from BASF SE donated to BASF Stiftung, a Germany-based charitable foundation, and the donation of around ¥800,000 from both the employees and corporate matching funds across BASF sites in Greater China.

In cooperation with our partners Save the Children and UN-Habitat (the United Nations Agency for Human Settlements), BASF and BASF Stiftung have set up disaster reconstruction measures and disaster prevention programs, focusing on rehabilitation and educational projects in the affected region with a special emphasis on the two schools (Muma School in Meishan and Yongquan Village School in Ya'an, Sichuan Province) which BASF and BASF Stiftung supported for reconstruction after the devastating earthquake in 2008.

The funds have been allocated to two project components: The first component focuses on the repair and maintenance of the two schools and is being realized by UN-Habitat. The other component focuses on different educational facilities in the affected areas, aiming at providing a safe and protective

environment for school children as well as contributing to the improvement of the quality of basic education in the region. Throughout the project cycle, our implementing partner Save the Children will reach more than 10,000 children in over 20 schools in Sichuan Province.

Goodwill Teacher program

For almost ten years, BASF has run an employee voluntary program called "Goodwill Teacher" to support the "Intellectual Assistance to the Disabled" program organized by the Shanghai Association of Persons with Physical Disability. The dedication of BASF employees and the program design has been widely recognized and it was named as one of the "2013 Shanghai Top 10 Youth Public Welfare Projects", endorsed by the Shanghai Municipal Government.

The program supports teenagers from families with disabled parents. These children often face challenges at school and cannot afford extracurricular tutoring. To help them, BASF employee volunteers provide the students with free oral English tuition at weekends. They are also invited to various BASF corporate events each year, including the Global Family welcome event and BASF Kids' Lab, to have more opportunities to interact with youngsters from different communities and countries.

As an extension of this initiative, BASF has set up a scholarship program, supporting outstanding students from this underprivileged group, who have entered high school or university. Since 2006, 216 students have received the scholarship. In 2013, the scholarship was extended to impoverished students.

Recognition for Goodwill Teacher program

In 2013, BASF's Goodwill Teacher initiative was chosen from more than 300 applicants as one of the Top 10 Youth Welfare Projects by the China Communist Youth League Shanghai Committee, Shanghai Civilization Office and Shanghai Civil Administration Bureau. The jury was impressed by its innovation and precise targeting to fulfil the gap of the social needs. The Goodwill Teacher program was the only corporate public welfare program among the winners.



BASF's Goodwill Teacher Program was recognized at the Youth Welfare Projects Award ceremony.



BASF volunteers picked up about 120 kilograms of trash.

Taiwan Volunteer Club

Formed by employees a few years ago, the BASF Taiwan Volunteer Club runs environmental protection programs and helps people in need in the neighboring community.

BASF colleagues and their families demonstrated their commitment to environmental protection by joining a beach clean-up activity in Kuanyin in 2013. Together, they picked up about 120 kilograms of trash and driftwood.

Near the BASF Kuanyin site, a social welfare organization, Kindgarden, provides care to people with intellectual disabilities and teaches them work skills through bakery classes. To support

Kindgarden, the BASF Taiwan Volunteer Club in 2013 initiated an internal charity program. Employees donated used goods for sale in a "Charity Fair" held by Kindgarden. In addition, the Club invited BASF's customers and suppliers to donate or provide goods for the sale. The money collected helps Kindgarden to finance the necessary expansion of its facilities to accommodate more people in need.

BASF Kids' Lab

For 12 years, BASF has organized its interactive chemistry laboratory for children, BASF Kids' Lab, in China. During these events, kids conduct safe, hands-on chemical experiments and learn in a fun way about how chemistry can benefit the environment and contribute to a better future. In 2013, BASF Kids' Lab took place in 30 countries around the world. This original and interactive activity has received favorable comments from children, parents and teachers ever since its launch. Many who took part as kids have joined again as voluntary helpers some years later.

To date, more than 136,000 kids have enjoyed the activities in 11 cities across Greater China over the years: Beijing, Shanghai, Nanjing, Chongqing, Guangzhou, Shenyang, Wuhan, Hong Kong, Taipei, Kaohsiung and Taoyuan. More than 1,200 university students have joined as helpers. In 2013, a record of 9,995 children attended BASF Kids' Lab in 60 days.

In Taiwan, BASF Kids' Lab has reached out to five schools near BASF's Kuanyin site and Kaohsiung site in 2013. Some of these students come from difficult backgrounds – raised by single parents or grandparents, or from minority ethnic groups. BASF Kids' Lab reserved places for these children, providing them a rare chance to pursue their great interest in science.

Higher education initiatives in China

BASF runs a number of programs recognizing strong scientific research in China and enabling young scientists and students to network and study in the business world. One prime example of this is BASF's regular industry summer courses. The program



Students from 14 universities participated in the Industry Summer Course in 2013.

serves as a window for Chinese university students to learn more about the chemical industry. Hundreds of outstanding students have participated in these courses. In 2013, students from 14 top Chinese universities participated in the BASF Greater China Industry Summer Course in Shanghai. They listened to lectures by the management team, learned about the company's innovations as well as its concepts on talent and career development. They also went on guided tours around production sites and R&D laboratories to experience the modern chemical industry production equipment, BASF's famous Verbund concept, the company's advanced research and Responsible Care best practices.

Together with the Chinese Chemical Society, BASF has set up the Youth Innovation Prize to recognize outstanding young scientists and their innovative research. So far, 24 young scientists have been awarded. Besides, 35 doctorates from colleges and research institutes in Greater China, including Taiwan and Hong Kong, were invited to the BASF Research Forum Asia Pacific and the Third BASF Excellent PhD Prize in 2013. Some 22 young scientists from China have been given the chance to participate in the annual "BASF Insights" event at the BASF headquarters in Ludwigshafen, Germany over the years, which is a platform for exchanging ideas and addressing industrial challenges with other international scientists from inside and outside BASF.

BASF donates to good causes

Every year, BASF sites in Greater China donate to nearby community or to associations to support good causes. For example, in 2013, BASF Shanghai Coatings, which is located in Zhuanqiao Town in Shanghai's Minhang District, donated ¥100,000 (approximately €11,540) to the local Xiulong Neighborhood to support the renovation project of their Community Activity Center.



The donation ceremony was held at Xiulong community.

BASF Kids' Lab

BASF Kids' Lab attracted 8,477 children in Greater China in 2013. During the lab sessions, children conducted three experiments of UV investigation, water storage and "red sock". Mentored by well-trained instructors, kids learn in a fun way about how chemistry contributes to the environment and daily life.



Kids were conducting a UV investigation experiment.

Stakeholder engagement

Strong partnerships contribute to sustainable development

BASF, together with its partners and other stakeholders, has been consistently striving to enhance sustainability along the entire value chain. The company is a founding member of the United Nations Global Compact (UNGC) which calls on companies around the world to align their strategies and operations with ten universal principles in the areas of human rights, labor, environment and anti-corruption. BASF is also a founding member of the Global Compact Network China, and was reappointed as the presidium member consecutively in 2014.

Supply chain management

For BASF, sustainability-oriented management of our suppliers is a significant factor for growth and added value. To this end, the company selects and evaluates suppliers based not only on economic criteria but also on environmental, social and corporate governance (ESG) standards.

BASF clearly describes and communicates the company's expectations to its suppliers and supports them in fulfilling them. For example, in a workshop held in 2013, the BASF team explained to suppliers its sub-contractor management principles, requirements of sub-contractor evaluation, as well as the required emergency response action standards for logistics service providers.

Contributing to sustainability with "1+3" partners

In 2013, BASF has completed the third round of its "1+3" corporate social responsibility (CSR) project in China which it had initiated under the umbrella of the China Business Council for Sustainable Development (CBCSD) in 2006. "1+3" means one CBCSD member company like BASF teams up with three types of partners along the value chain – customer, supplier and logistics service provider – by sharing best practices on CSR and sustainability management as well as on environment, health and safety (EHS). These partners in turn introduce the same concept to their respective partners along their own value chains. To date, BASF has engaged 27 partner companies in this project and the snowball effect is visible: The project has now reached out to around 140 companies in China through the CBCSD platform.

BASF engaged with media and environmental NGOs in a transparent dialog during the third round of the project and offered a platform for open discussion. In December 2013, BASF's "1+3" project partners joined BASF's annual stakeholder dialog event for the first time.

The third round project partners have since realized tangible improvements in their EHS performance as well as CSR management. For example, one "1+3" partner has upgraded its off-gas treatment tower to reduce gas emissions and another currently plans to install bag-type dust collectors. Another partner has established a Safety Steering Committee and introduced a holistic EHS management system to enhance occupational safety and environmental protection.

CSR China Honor Roll and Golden Bee 2020

BASF is the initiator and founding partner of the "Golden Bee" concept. A "Golden Bee" company is a sustainable enterprise, meaning it achieves profitable growth while operating in an environmentally friendly and socially responsible manner. The "Golden Bee CSR China Honor Roll" was co-launched in 2008 by BASF and the "China WTO Tribune", a magazine under the Ministry of Commerce focusing on CSR topics, in order to recognize responsible companies in China. Since the inception of the concept, 168 companies out of some 2,000 applicants were recognized as Golden Bee companies, which includes not only state owned enterprises and multinational companies, but also a number of small and medium enterprises. The "Golden Bee" concept is now widely recognized in the business sector while the Honor Roll has become one of the most credible CSR rankings in China. 15 of BASF's "1+3" project partners have been either recognized or shortlisted as Golden Bee companies.

An extension to the project is the "Golden Bee 2020" initiative in China. It was inspired by "Enterprise 2020", a European movement developed by CSR Europe and endorsed by the EU Commission, urging companies to cooperate with their stakeholders to provide solutions to emerging societal challenges. Likewise, "Golden Bee 2020" encourages cross-industry collaboration of companies and their partners in China for innovative solutions to address the social and environmental challenges in China. As part of the movement, some companies, including BASF, commit themselves to act as role models in 11 identified action fields including supply chain, energy efficiency, low-carbon, agriculture and so on.

Stakeholder dialog strengthens partnership

Annual stakeholder dialog sessions are a fixed component of our sustainability approach in China. Since 2009, BASF has regularly held dialog sessions with opinion leaders and experts as well as local governments or residents adjacent to its sites, to obtain feedback on our operations, as well as to generate two-way communication on all sorts of topics of interest. The wide range of key stakeholders includes customers, service providers, suppliers, government officials, media, scholars, academia and non-governmental organizations. During the dialog session, BASF explored various topics with the participants regarding corporate governance, trends in sustainable development and transparent communication.

BASF conducted dialogs with industry leaders at BASF's Innovation Campus Symposium 2013 in Shanghai to get inspirational ideas for future innovation. During the international plastics exhibition and conference Chinaplas in May 2013 in Guangzhou, BASF experts invited non-governmental organizations to participate in an open discussion on how innovative solutions enabled by chemistry drive sustainability.

As a company in the chemical industry, we are aware of our particular responsibility for our neighbors. Thus, BASF has set up 84 Community Advisory Panels (CAP) globally, mostly at our larger production sites. Consisting of a group of individuals who live near or around a chemical facility and who represent the fabric of the local community, a CAP is a forum for open and honest dialog between citizens and plant management. In Greater China, BASF supports CAPs in Shanghai, Chongqing, Nanjing and Taiwan.

"1+3" named model program by UNGC new book

In 2013, BASF's "1+3" CSR project has been recognized as one of the best corporate social responsibility practices in China in a publication called "Responsibility Changes the World", written by Meng Liu, United Nations Global Compact China Representative.



The picture shows the launch ceremony of the publication.

Open discussion on sustainable supply chain

As the leading company in the action field of supply chain in "Golden Bee 2020" initiative, BASF co-organized a roundtable discussion on "Sustainable Supply Chain Management" parallel to the 8th International CSR Forum, which engaged industry experts and corporate representatives from different segments to exchange ideas.



The picture shows the round table discussion on "Sustainable Supply Chain Management".

Selected prizes and awards


CDP Global 500 Climate Disclosure Leadership Index
BASF in leading position in reporting on climate protection

In 2013, BASF was included in the CDP Global 500 Climate Disclosure Leadership Index for the ninth time in succession. The index contains companies that report on climate protection in a particularly transparent and comprehensive manner. As in previous years, BASF achieved the top ranking in the Materials sector.


Dow Jones Sustainability Index
BASF share included in DJSI World for 13th consecutive year

BASF shares were again included in the Dow Jones Sustainability World Index. The analysts especially pointed out the company's commitment to risk and crisis management, human capital development and plant biotechnology.


China's Top 100 Green Companies
BASF recognized for leadership in sustainability for seventh time

BASF was again named one of "China's Top 100 Green Companies" by China Entrepreneur Club in early 2014. The winning companies were selected based on five indicators concerning corporate culture, economic strength, environment protection, society and innovation. BASF was recognized for its contribution to the society, especially for its unique "1+3" Corporate Social Responsibility project.


Outstanding Contribution for Fortune Global 500 Enterprises in China
Award for BASF's performance in economic, environmental and society aspects

China's popular and influential newspaper "Southern Weekend" has ranked BASF 12th in its annual "Outstanding Contribution for Fortune Global 500 Enterprises in China" list in 2013. The jury particularly recognized the company's unremitting efforts in transparent information disclosure. BASF once again leads the chemical industry, having secured the top industry ranking for the seventh consecutive year.


China's Low Carbon Pioneer Enterprise Award
BASF honored for trailblazing climate protection strategy for the fourth time

BASF was again recognized as a Low Carbon Pioneer by the leading business newspaper "21st Century Business Herald" in 2013. The jury particularly emphasized how the company has created the position of a Chief Climate Protection Officer as early as 2008 – a concept which then introduced by the Chinese media.


Best Corporate Citizen Award
BASF named one of five top corporate citizens in China

BASF has received the "Best Corporate Citizen Award" from China's 21st Century Media Group which is one of the country's most influential prizes in the field of corporate social responsibility in 2013. The company won praise in all evaluation criteria as a long-standing role model. BASF is the only chemical company that enjoys such a continuous recognition, receiving the award for the ninth year in a row.


China's Top Employer 2014
BASF honored for strong human resources management in China

For the fourth year in a row, BASF was recognized as one of China's Top Employers by the Top Employers Institute, one of the world's leading research institutions in the field of human resources, leadership and strategy. The panel emphasized the company's efforts in providing excellent working conditions and people development, such as performance management programs. These efforts reflect BASF's open and caring corporate culture.


Excellence in Corporate Social Responsibility in Taiwan
BASF ranked as one of top 50 corporate citizens

The influential local business publication "CommonWealth Magazine" has named BASF in its annual ranking of "Excellence in Corporate Social Responsibility" in 2013. BASF Taiwan was ranked eighth in the category of multinational companies, honoring its long-term commitment to industrial safety culture and environmental protection, as well as its contributions to science education through BASF Kids' Lab.

Ten-year summary, BASF Group

Million €	2004	2005	2006	2007	2008	2009	2010	2011	2012 ¹	2013
Sales and earnings										
Sales	37,537	42,745	52,610	57,951	62,304	50,693	63,873	73,497	72,129	73,973
Income from operations before depreciation and amortization (EBITDA)	7,685	8,233	9,723	10,225	9,562	7,388	11,131	11,993	10,009	10,427
Income from operations (EBIT)	5,193	5,830	6,750	7,316	6,463	3,677	7,761	8,586	6,742	7,273
Income before taxes	4,347	5,926	6,527	6,935	5,976	3,079	7,373	8,970	5,977	6,713
Income before minority interests	2,133	3,168	3,466	4,325	3,305	1,655	5,074	6,603	5,067	5,173
Net income	2,004	3,007	3,215	4,065	2,912	1,410	4,557	6,188	4,819	4,842
Capital expenditures, depreciation and amortization										
Additions to property, plant and equipment and intangible assets	2,163	2,523	10,039	4,425	3,634	5,972	5,304	3,646	5,263	7,513
Thereof property, plant and equipment	2,022	2,188	4,068	2,564	2,809	4,126	3,294	3,199	4,084	6,220
Depreciation and amortization of property, plant and equipment and intangible assets	2,492	2,403	2,973	2,909	3,099	3,711	3,370	3,407	3,267	3,154
Thereof property, plant and equipment	2,053	2,035	2,482	2,294	2,481	2,614	2,667	2,618	2,594	2,519
Number of employees										
At year-end	81,955	80,945	95,247	95,175	96,924	104,779	109,140	111,141	110,782	112,206
Annual average	85,022	80,992	88,160	94,893	95,885	103,612	104,043	110,403	109,969	111,844
Personnel expenses										
	5,615	5,574	6,210	6,648	6,364	7,107	8,228	8,576	8,963	9,285
Research and development expenses										
	1,173	1,064	1,277	1,380	1,355	1,398	1,492	1,605	1,732	1,835
Key data										
Earnings per share ^{2,3}	€ 1.83	2.87	3.19	4.16	3.13	1.54	4.96	6.74	5.25	5.27
Cash provided by operating activities ⁴	4,634	5,250 ⁵	5,940	5,807	5,023	5,693	6,460	7,105	6,602	7,870
EBITDA margin	% 20.5	19.3	18.5	17.6	15.3	14.6	17.4	16.3	13.9	14.1
Return on assets	% 13.2	17.7	17.5	16.4	13.5	7.5	14.7	16.1	11.0	11.6
Return on equity after tax	% 12.9	18.6	19.2	22.4	17.0	8.9	24.6	27.5	19.9	19.4
Appropriation of profits										
Net income of BASF SE ⁶	1,363	1,273	1,951	2,267	2,982	2,176	3,737	3,506	2,880	2,826
Dividends	904	1,015	1,484	1,831	1,791	1,561	2,021	2,296	2,388	2,480
Dividend per share ⁷	€ 0.85	1.00	1.50	1.95	1.95	1.70	2.20	2.50	2.60	2.70
Number of shares as of December 31^{2,7}	million	1,080.9	1,028.8	999.4	956.4	918.5	918.5	918.5	918.5	918.5

¹ We have applied International Financial Reporting Standards 10 and 11 as well as International Accounting Standard 19 (revised) since January 1, 2013. Figures for 2012 have been restated; no restatement has been made for 2011 and earlier.

² We conducted a two-for-one stock split in the second quarter of 2008. The previous year's figures for earnings per share, dividend per share and number of shares have been adjusted accordingly.

³ Adjusted for special items and impairment of intangible assets, earnings per share were €5.37 in 2013 and €5.64 in 2012.

⁴ Includes the change in reporting from 2009 onward of the effects of regular extensions of U.S. dollar hedging transactions

⁵ Before external financing of pension obligations

⁶ Calculated in accordance with German GAAP

⁷ After deduction of repurchased shares earmarked for cancellation

Connect with BASF in Greater China

BASF East Asia Regional Headquarters Ltd.

45/F, Jardine House, 1 Connaught Place, Central Hong Kong
Tel : 852-2731 0111
Fax: 852-2734 9648

BASF (China) Co. Ltd. Shanghai

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel : 86-21-2039 1000
Fax: 86-21-2039 4306

BASF (China) Co. Ltd. Beijing

25/F, Tower A, Gateway Plaza
18 Xiaguangli, Dongsanhuanbeilu, Chaoyang District
Beijing 100027
Tel : 86-10-5683 1500
Fax: 86-10-5683 1751

BASF (China) Co. Ltd. Guangzhou

Suite 2808, Dongshan Plaza, 69 Xianlie Road (M) Guangzhou 510095
Tel : 86-20-8713 6000
Fax: 86-20-8713 6333

BASF (China) Co. Ltd. Nanjing

Suite 2228, Suning Universal Hotel,
188 Guangzhou Road
Nanjing 210024
Tel : 86-25-8372 2063
Fax: 86-25-8372 2067

BASF Taiwan Ltd.

16/F, Empire Building, 87 Sung Chiang Road
10486 Taipei, Taiwan
Tel : 886-2-2518 7600
Fax: 886-2-2518 7714

Corporate Media Relations Greater China

Contact: Frances Luk
Tel : 86-21-2039 3009

Sustainability Greater China

Contact: Rena Gui
Tel : 86-21-2039 3028

Industry Contacts

Automotive:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 1241

Construction:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 1195

Electronic and Electric:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 1700

Food and Agriculture:

45/F, Jardine House, No. 1 Connaught Place Central, Hong Kong
Tel : +852 2731 4813

High-speed Railway:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 3005

Mining:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 1578

Packaging:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21 2039 1522

Pharmaceutical:

25/F, Tower A, Gateway Plaza
18 Xiaguangli, Dongsanhuanbeilu, Chaoyang District
Beijing 100027
Tel: 86-10-5683 1556

Textile:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 1730

Wind Energy:

333 Jiangxinsha Road, Pudong Shanghai 200137
Tel: 86-21-2039 3501

For more information on BASF in Greater China, see www.greater-china.basf.com



Further information

You can find this and other BASF publications online at www.greater-china.basf.com. For an easy access to the webpage, please scan the code below with your smartphone application.



Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

BASF supports the worldwide Responsible Care initiative of the chemical industry.

Publisher:
Corporate Communications, BASF in Greater China