

Blueprint for Corporate Sustainability Leadership at BASF, 2017

Implementing the Ten Principles into Strategies and Operations

Full Coverage and Integration Across Principles

Blueprint Aspects	BASF
<p>Implement all the ten UN Global Compact principles into strategies and operations.</p> <p>Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.</p> <p>Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.</p>	<p>We respect and promote</p> <ul style="list-style-type: none"> • the ten principles of the U.N. Global Compact, • the United Nations' Universal Declaration of Human Rights and the two U.N. human right covenants, • the ILO's core labor standards and Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), • the UN Guiding Principles on Business and Human Rights • the OECD Guidelines for Multinational Enterprises, • the Responsible Care Global Charter, and • the German Corporate Governance Code. <p>As a founding member of the U.N. Global Compact, we support the implementation of the United Nations' Sustainable Development Goals with our social commitment around the world. We promote social, educational, cultural, academic and sports projects as part of our social engagement strategy. The main aim of these projects is to have a lasting impact on society and offer learning opportunities for participating cooperation partners and BASF.</p> <p>The BASF Report combines our financial and sustainability reporting and is addressed to readers interested in both areas. In addition to our integrated corporate report, we publish further information about sustainability issues on the internet. The information in the BASF Report 2017 also serves as a</p>

progress report on BASF's implementation of the ten principles of the UN Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership - an action plan initiated as part of the Global Compact LEAD platform.

Through our constant dialog with stakeholders, our internal analysis methods and our many years of experience, we are continuously refining our understanding of significant topics and trends as well as potential opportunities and risks along our value chain.

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

References

BASF Report 2017

- Chapter "About this report", pp. 2-4
 - Chapter "Corporate Strategy", pp. 23-25
 - Chapter "Integration of sustainability", pp. 29-33
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Robust Management Policies and Procedures

Blueprint Aspects	BASF
<p>Assess risks and opportunities on an ongoing basis at both enterprise and product level and undertake due diligence to ensure that the company identifies any negative impacts caused by its operations and activities.</p>	<p>Sustainability management helps to minimize risks. This supports our long-term economic success and ensures societal acceptance of our business activities. We aim to reduce potential risks in the areas of environment, safety and security, health protection, product stewardship, compliance, and labor and social standards by setting ourselves globally uniform requirements. These often go beyond local legal requirements. Internal monitoring systems and grievance mechanisms enable us to check compliance with these standards: they include, for example, questionnaires, audits and compliance hotlines. All employees, managers and Board members are required to abide by our global Code of Conduct, which defines a mandatory framework for our business activities.</p>
<p>Develop strategies and policies specific to the company's operating context – as well as scenarios for the future - and establish measurable short, medium, and long term goals.</p>	<p>Our investment decisions for property, plant and equipment and financial assets also involve sustainability criteria. Our decision-making is supported by expert appraisals that assess economic implications as well as potential effects on the environment, human rights or local communities.</p>
<p>Engage and educate employees through training activities, the development and adjustment of business processes, and sound incentive schemes.</p>	<p>For example, we have defined sustainability focus areas within our corporate strategy. These formulate the commitments with which BASF positions itself in the market and how it aims to meet the growing challenges along the value chain:</p> <ul style="list-style-type: none"> • We source responsibly • We produce safely for people and the environment • We produce efficiently • We value people and treat them with respect • We drive sustainable products and solutions.
<p>Implement a system to track and measure performance based on standardized performance metrics.</p>	<p>Relevant topics resulting from these commitments – such as supply chain responsibility, responsible production, resource efficiency, energy and climate protection, water, product stewardship, employment and employability, and portfolio management – form the focal points of our reporting. We also integrate these topics into our long-term</p>

steering processes to ensure societal acceptance and take advantage of business opportunities.

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

We stipulate rules for our employees with standards that apply throughout the Group. We set ourselves ambitious goals with voluntary commitments and monitor our performance in terms of the environment, health and safety using our Responsible Care Management System. In terms of labor and social standards, this takes place using three elements: the compliance Program (including the compliance hotlines, which can be used for internal and external questions or complaints), close dialog with our stakeholders (such as with employee representatives or internal organizations), and the global management process for the respect of international labor norms. Our business partners are expected to comply with prevailing laws and regulations and to align their actions with internationally recognized principles. We have established monitoring systems to ensure this.

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

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote lifelong, self-directed learning as part of the Best Team Strategy. Our learning activities follow the "70-20-10" philosophy: We apply the elements "learning from experience" (70%), "learning from others" (20%) and "learning through courses and media" (10%). We also engage our employees in a variety of trainings to strengthen their awareness and ability

to act according to the company's objectives for example in the areas of health and safety or compliance.

Examples:

In addition to the legally required briefings, we also held training courses on safe procedures in 2017 to strengthen risk awareness among our employees and contractors and prevent work-related accidents. At the Ludwigshafen site in Germany, our training center has offered continuous further education on diverse safety and security topics for employees and contractors since 2010. Some 22,000 participants received training in 2017.

Our compliance trainings take place in different formats, including face-to-face training, e-learning or workshops. The course materials and formats are constantly being updated. In total, more than 33,500 participants worldwide received around 54,000 hours of compliance training in 2017.

We set ourselves globally consistent standards. We use various systems to monitor whether and how our sites adhere to these standards for environment, safety performance, health and product stewardship using our Responsible Care Management System. Furthermore, we check to make sure they fulfill commitments to labor, social and compliance standards. We conduct internal audits on process safety, occupational health and safety, and environmental protection. We review labor and social standards based on three main pillars. This includes an external compliance hotline, an annual survey of our Group companies and dialog with employee representatives and international organizations. In addition to economic criteria, new and existing suppliers are selected based on environmental, social and corporate governance standards.

We have set voluntary long-term global goals in the areas of economy, environment, safety, employees and society. Through these goals, sustainable development at BASF is transparent and verifiable.

References

BASF Report 2017

- Chapter "Corporate Strategy", pp. 23-25

- Chapter “Goals”, pp. 26-27
- Chapter “Integration of sustainability”, pp. 29-33
- Chapter “Working at BASF”, pp. 42-47
- Chapter “Suppliers”, pp. 93-94
- Chapter “Production”, pp. 98-100
- Chapter “Compliance” in Corporate Governance Report, pp. 135-136

Further references

- [Materiality analysis](#)

Mainstreaming into Corporate Functions and Business Units

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

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BASF Report 2017

- Chapter “Corporate Strategy”, pp. 23-25
- Chapter “Integration of sustainability”, pp. 29-33

Value Chain Implementation

Blueprint Aspects	BASF
<p>Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.</p>	<p>Upstream:</p> <p>Our sustainability-oriented supply chain management also contributes to risk management by clarifying our expectations and standards for our suppliers, and by supporting them in carrying out our requirements. We count on reliable supply relationships and want to make our suppliers' contribution to sustainable development transparent. In order to achieve this, we set ourselves an ambitious goal: By 2020, we aim to evaluate the sustainability performance of 70% of the BASF Group's relevant suppliers¹ and develop action plans for any necessary improvements.</p>
<p>Communicate policies and expectations to suppliers and other relevant business partners.</p>	<p>In 2017, we reviewed our evaluation methods for high-risk suppliers in order to focus even more closely on relevant issues. For example, we increased the weighting of industry- and country-specific risks in the evaluation to avoid the ambiguities in the previous system. The proportion of relevant suppliers evaluated by the end of 2017 in accordance with the new risk approach was 56%.²</p>
<p>Implement monitoring and assurance mechanisms within company's sphere of influence.</p>	<p>New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also on environmental, social and corporate governance standards. Our Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care® initiative. The Code of Conduct covers compliance with human rights, labor and social standards, and antidiscrimination and anticorruption policies in addition to protecting the environment. The Code is available in 26 languages.</p>
<p>Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.</p>	<p></p>

¹ Our suppliers are evaluated based on risk due to the size and scale of our supplier portfolio. We define relevant suppliers as those showing an elevated sustainability risk potential as identified by our risk matrices and our purchasers' assessments. We also use further sources of information to identify relevant suppliers such as evaluations from Together for Sustainability (TfS), a joint initiative of chemical companies for sustainable supply chains.

² The proportion of relevant suppliers evaluated by the end of 2016 in accordance with the new risk approach was 55% (in accordance with the previous risk approach: 32%). The change in the percentage figure is due to the amended risk evaluation method and the greater integration of evaluations from other TfS companies.

A country-based risk analysis forms the basis of our selection process for new suppliers. As a result of the country-related risks identified in South America and Asia, we specifically asked 6,467 suppliers in these regions to commit to the values of our Supplier Code of Conduct in 2017. Only those companies that have committed to our Code of Conduct actually became new suppliers.

BASF is a founding member of the Together for Sustainability (TfS) initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. With the help of TfS, we promote sustainability in the supply chain. The initiative aims to develop and implement a global program for the responsible supply of goods and services and improve suppliers' environmental and social standards. The evaluation process is simplified for both suppliers and TfS member companies by a globally uniform questionnaire. The 20 members of the initiative conducted a total of 1,794 sustainability assessments and 441 audits in 2017. The collaboration between the TfS initiative and the China Petroleum and Chemical Industry Federation (CPCIF) to educate suppliers and raise awareness of sustainability topics continued in 2017. More than 300 participants took part in a joint TfS/CPCIF course.

In 2017, we continued our collaborations in China and Brazil to instruct suppliers on sustainability standards. 179 suppliers received training in 2017 as part of local partnerships with the East China University of Science and Technology in Shanghai and the Espaço Eco® Foundation in Brazil, for example. In addition, we instructed 704 BASF employees on sustainability-oriented supplier management. These are ways in which potential supply chain risks can be identified and minimized together with our suppliers.

Our audits have identified some deviations with respect to environmental, social and corporate governance standards, for example in waste and wastewater management and relating to occupational safety, working hours and minimum wage. In the follow-up audits conducted in 2017, we found improvements in all areas. None of our 2017 audits identified instances of child labor. For the suppliers we reviewed, persons under 18 were excluded from overtime and dangerous work. We did not find any incidences of forced labor in 2017.

Downstream:

We are committed to continuously minimizing the negative effects of our products on the environment, health, safety and security along the value chain – from development to disposal. This commitment to product stewardship is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). We also ensure uniformly high standards for product stewardship worldwide. Some of our voluntary initiatives go beyond local legal requirements.

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

We offer our customers training in the safe use of our products and keep them informed early on of any changes in regulations. For example, in cooperation with the chemical association ICCA, BASF is pushing for the establishment of a voluntary global commitment to the controlled marketing of chemicals that could be misused for purposes other than industrial chemical applications. Producers in North America and Europe are already implementing the voluntary commitment. Manufacturers in China and Taiwan are currently in talks about joining the scheme as well.

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

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

References

BASF Report 2017

- Chapter “Suppliers”, pp. 93-94
- Chapter “Product stewardship”, pp. 101-102

See more on [Supply chain management](#)

Taking Action in Support of Broader UN Goals and Issues

Core Business Contributions to UN Goals and Issues

Blueprint Aspects	BASF
<p>Align core business strategy with one or more relevant UN goals / issues.</p> <p>Develop relevant products and services or design business models that contribute to UN goals / issues.</p> <p>Adopt and modify operating procedures to maximize contribution to UN goals / issues.</p>	<p><u>Strategy</u></p> <p>With the “We create chemistry” strategy, BASF has set itself ambitious goals. We want to contribute to a sustainable future and have embedded this into our corporate purpose: “We create chemistry for a sustainable future.”</p> <p>We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. We do so by creating chemistry for our customers and society and by making the best use of available resources.</p> <p>We live our corporate purpose by:</p> <ul style="list-style-type: none"> • Sourcing and producing responsibly • Acting as a fair and reliable partner • Connecting creative minds to find the best solution for market needs <p>For us, this is what successful business is all about.</p> <p>As an integrated global chemical company, we make important contributions in the following three areas:</p> <ul style="list-style-type: none"> • Resources, environment and climate • Food and nutrition • Quality of life <p>Innovations in chemistry are indispensable to meeting the needs of the growing world population on a long-term basis. The development of innovative products and solutions is, therefore, of vital significance for BASF. In the long term, we aim to continue to significantly increase sales and earnings with new and improved products. Effective and efficient research lays the foundation for this. We believe that the digitalization of research offers great potential and are driving this forward around the world.</p>

We are engaged in intensive research and development activities in our established business areas. One focus of our research is on the enhancement and innovative application of specific key technologies. They pool the diverse competencies of our international Research and Development Verbund to strengthen our competitive ability in the long-term. In addition, we are addressing clearly defined topics to drive forward innovation in new business fields and with new technologies above and beyond the current focus areas of our divisions. We are also working on overarching projects with a high technological, social or regulatory relevance. With our research, we aim to make a decisive contribution to innovative solutions for global challenges and contribute to sustainable development.

Development

Our three global technology platforms are based in our key regions – Europe, Asia Pacific and North America: Process Research & Chemical Engineering (Ludwigshafen, Germany), Advanced Materials & Systems Research (Shanghai, China) and Bioscience Research (Research Triangle Park, North Carolina). We want to continue expanding our research and development activities on a global level. The stronger presence of our research and development in key markets opens up new opportunities to find appropriate solutions for regional markets, actively participate in worldwide innovation processes and gain access to talent.

In the years ahead, we want to continue to grow in the emerging markets and expand our position there. We define the emerging markets as Greater China, the ASEAN countries,³ India, Pakistan and Bangladesh; Central and South America; eastern Europe; the Middle East, Turkey and Africa. Today's emerging markets are expected to account for around 65% of global chemical production in 2025. We aim to benefit from the above-average growth in these regions, which is why we have invested more than a quarter of our capital expenditures⁴ (excluding Oil & Gas) there in the past five years.

³ Brunei, Indonesia, Malaysia, Myanmar, Cambodia, Laos, the Philippines, Singapore, Thailand, Vietnam

⁴ Excluding additions to property, plant and equipment resulting from acquisitions, capitalized exploration, restoration obligations and IT investments

Innovation

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

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

Contribution

We use our established Eco-Efficiency Analysis tool to identify critical parameters for improving the ecological and economic balance of our products and processes along the value chain. To even better support our divisions in implementing sustainability strategies and goals, we also offer other ecological evaluation instruments alongside the Eco-Efficiency Analysis.

These include the methods often used for impact assessment as a part of life-cycle analyses.

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

We have also developed Sustainable Solution Steering, a comprehensive sustainability evaluation and decision making process for the entire BASF business. Using this process we can identify the BASF solutions that make a significant contribution in terms of sustainability within their industry sector, as well as those solutions in our large portfolio that, at

present, do not fully meet the standards of sustainable development that we would like to achieve.

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

References

BASF Report 2017

- Chapter "Corporate Strategy", pp. 23-25
- Chapter "Innovation", pp. 35-39

Further references

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

Strategic Social Investments and Philanthropy

Blueprint Aspects	BASF
<p>Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy.</p> <p>Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.</p> <p>Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups.</p>	<p>We take on social responsibility: We are involved in diverse projects worldwide, especially in the communities where our sites are located. Our focus is on access to education. In this way, we promote innovative capacity and future viability.</p> <p>We also aim to create long-term value for BASF and society with new business models and cross-industry partnerships. Our company-wide Starting Ventures program provides access to growing low-income markets. This helps people with precarious livelihoods to improve their income-earning opportunities and their quality of life. The program also strengthens our contribution to reaching the U.N. Sustainable Development Goals. In one project in Kenya and Tanzania, for example, local food supply and quality of life are improved by fortifying flour with micronutrients such as vitamin A. This reduces health risks for the population. To take advantage of these opportunities for the people there, BASF draws on an established network of local mills, nonprofit organizations and government authorities.</p> <p>In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. and nongovernmental organizations. In 2017, BASF supported various activities by the U.N. Refugee Agency (UNHCR) to give children in Kenyan refugee camps access to education with its annual year-end donation campaign to the BASF Stiftung. BASF doubled all donations by employees of German and African Group companies, bringing the total amount benefiting the refugee children in Kenya to €642,703. This total donation was again doubled to €1,285,405 by the German arm of the U.N. refugee agency.</p> <p>The BASF Group spent a total of €56.0 million supporting projects in 2017; we donated 57% of this amount (2016: €47.0 million, of which 49.6% were donations).</p>

References

BASF Report 2017

- Chapter “Integration of sustainability”, p. 30

Also see [BASFs engagement](#)

Advocacy and Public Policy Engagement

Blueprint Aspects	BASF
<p>Publicly advocate the importance of action in relation to one or more UN goals / issues.</p> <p>Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals / issues</p>	<p>BASF and its representatives are actively promoting the importance of UN Goals and issues in public.</p> <p>BASF's Chairman of the Board of Executive Directors, Kurt Bock, is a member of the United Nations Global Compact Board. As a member of the U.N. Global Compact LEAD initiative, we support the implementation of the Agenda 2030 and its Sustainable Development Goals. In addition, company representatives are actively engaged in several initiatives and symposia of the UN Global Compact and UN Global Compact Lead.</p> <p>We also participate in several of UN Global Compact's Action Platforms on a global level, and are active in local Global Compact networks.</p> <p>We illustrate our efforts in Food Fortification on a dedicated homepage.</p>

References

- [BASF's support for the UN Global Compact](#)
- [How BASF contributes to the UN Sustainable Development Goals](#)
- [BASF Food Fortification](#)

Partnerships and Collective Action

Blueprint Aspects	BASF
<p>Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.</p> <p>Join industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company's positive impact on its value chain.</p>	<p>BASF is active regarding partnership projects in UN Global Compact and UN Global Compact LEAD and beyond:</p> <ul style="list-style-type: none"> • BASF is engaged in several of UN Global Compact's Action Platforms. • BASF is involved in worldwide initiatives with various stakeholder groups, such as the U.N. Global Compact. • In 2017, BASF joined the Ellen MacArthur Foundation's circular economy initiatives to drive forward existing approaches. • As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives. • BASF is part of the Global Business Initiative on Human Rights (GBI). This group of globally operating companies from various sectors aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. • BASF is a member of the German Roundtable of the International Integrated Reporting Council (IIRC) and a member of the pilot program of the IIRC. We served as a pilot enterprise in the development of the framework for the integrated reporting of the IIRC. Following this pilot phase, we have been active in the IR Business Network since 2014 in order to discuss our experience with other stakeholders and at the same time receive inspiration for the enhancing our reporting. • Since 2004, BASF has participated in the CDP's program for reporting on data relevant to climate protection. The international organization CDP represents more than 800 institutional investors who manage over \$100 trillion in assets. BASF again

achieved a score of A- in 2017, awarding it “Leadership” status. Companies on this level are distinguished by factors such as the completeness and transparency of their reporting. They also have approaches in place for managing the opportunities and risks associated with climate change as well as corporate strategies to reduce emissions. BASF has also reported on water management to CDP since 2010 and was again included in the CDP Water A List in 2017.

- We pursue our goal by applying the European Water Stewardship standard, which rests on four principles: sustainable water abstraction, maintaining good water quality, preserving conservation areas, and ensuring continuous improvement processes, including in cooperation with other users. By 2025, we want to introduce sustainable water management at all sites in water stress areas and at our Verbund sites, covering 93% of BASF’s entire water abstraction. We achieved 45.2% of this goal in 2017 (2016: 42.6%).
- We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the International Chemical Environmental (ICE) initiative and the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. In 2017, we provided assistance to other companies in 178 cases worldwide. We apply the experience we have gathered to set up similar systems in other countries: For example, we intensified our activities in Asia Pacific in 2017.
- Our risk assessment goals support the implementation of initiatives such as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing worldwide standards and best practices to improve the safe management of chemical substances. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets. In order to facilitate public access to information, we are participating in the setup of an ICCA online portal that provides more than 4,500 GPS safety summaries.

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

References

BASF Report 2017

- Chapter “BASF on the capital market”, pp. 14-16
- Chapter “Integration of sustainability”, pp. 29-33
- Chapter “Product stewardship”, pp. 101-102
- Chapter “Transportation and storage”, p. 103
- Chapter “Water”, pp. 108-109
- Chapter “Compliance” in Corporate Governance Report, pp. 135-136

Further References

- [Sustainability Networks](#)

Engaging with the United Nations Global Compact

Local Networks and Subsidiary Engagement

Blueprint Aspects	BASF
<p>Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.</p> <p>Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.</p> <p>Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.</p>	<p>BASF is active in <u>local Global Compact Networks</u> in Argentina, Belgium, Brazil, Canada, Chile, China, Columbia, Germany, India, Kenya, Poland and Singapore. In several some of these local networks, BASF is part of the steering committee/ Board.</p> <p>The information in the BASF Report 2017 also serves as a progress report on BASF's implementation of the ten principles of the United Nations Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership of the Global Compact LEAD platform.</p>

References

BASF Report 2017

- Chapter "About This Report", pp. 2-4

Global and Local Working Groups

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

References

BASF Report 2017

- Chapter “Integration of sustainability”, pp. 29-33

Further References

- [Global Compact Network Germany](#)

Issue-Based and Sector Initiatives

Blueprint Aspects	BASF
<p>Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women’s Empowerment Principles, and Global Business Initiative on Human Rights.</p> <p>Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.</p>	<ul style="list-style-type: none"> • We are involved in worldwide initiatives with various stakeholder groups, such as the U.N. Global Compact. BASF’s Chairman of the Board of Executive Directors is a member of the United Nations Global Compact Board. As a member of the U.N. Global Compact LEAD initiative, we support the implementation of the Agenda 2030 and its Sustainable Development Goals. BASF is also active in local Global Compact networks. • BASF is part of the Global Business Initiative on Human Rights (GBI). This group of globally operating companies from various sectors aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. • In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. and nongovernmental organizations. In 2017, BASF supported various activities by the U.N. Refugee Agency (UNHCR) to give children in Kenyan refugee camps access to education with its annual year-end donation campaign to the BASF Stiftung. BASF doubled all donations by employees of German and African Group companies, bringing the total amount benefiting the refugee children in Kenya to €642,703. This total donation was again doubled to €1,285,405 by the German arm of the U.N. refugee agency. • Our risk assessment goals support the implementation of initiatives such as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing worldwide standards and best practices to improve the safe management of chemical substances. In addition, we are also involved in workshops and training seminars in developing countries and emerging markets. In order to facilitate public access to information, we are participating in the setup of an ICCA online portal that provides more than 4,500 GPS safety summaries.

References

BASF Report 2017

- Chapter “Integration of sustainability”, pp. 29-33
- Chapter “Integration of sustainability”, p. 30
- Chapter “Product stewardship”, pp. 101-102

Further References

- [BASF's support for the UN Global Compact](#)
- [BASF Food Fortification](#)
- [See Global Product Strategy](#)
- [See BASF's engagement](#)

Promotion and Support of the UN Global Compact

Blueprint Aspects	BASF
<p>Advocate the UN Global Compact to business partners, peers and the general public.</p> <p>Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.</p> <p>Participate in activities to further develop and strengthen the UN Global Compact.</p>	<p>Advocating the UN Global Compact is a key element of presentations, speeches and communication about sustainability by BASF representatives. BASF representatives promote and further develop the Global Compact by their engagement within the local networks and numerous initiatives, working groups and symposia.</p> <p>Furthermore, BASF is a founding member of the sustainability initiative of the German chemical industry Chemie³ (Chemistry³). The sense of commitment shared by companies, employees, social partners and trade association highlights the fact that sustainability requires an all-encompassing approach which unites economic, environmental and social aspects. The aim of the initiative is to underpin sustainability as a guiding principle of the chemical industry in Germany and to provide inspiration for the international community. As a sector-specific umbrella, the guidelines provide orientation for enterprises and their workforces. They reflect core elements from national, European and international initiatives and standards, such as the 10 principles of the UN Global Compact, the Core Labour Standards of the International Labour Organisation (ILO), and the OECD Guidelines for Multinational Enterprises. They are the result of a dialogue with stakeholders within the industry as well as the political, social, scientific and economic realm.</p>
<ul style="list-style-type: none"> <li style="display: inline-block; width: 45%; vertical-align: top;"> <ul style="list-style-type: none"> • Sustainability Networks <li style="display: inline-block; width: 45%; vertical-align: top;"> <ul style="list-style-type: none"> • Further References 	

The Cross-Cutting Components

CEO Commitment and Leadership

Blueprint Aspects	BASF
<p>CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.</p> <p>CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards.</p> <p>CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.</p> <p>Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.</p>	<p>BASF's CEOs have been involved in numerous activities with public recognition to promote UN goals and issues. BASF is a founding member of the UN Global Compact (former CEO Dr. Juergen Strube) and a founding member of UN Global Compact LEAD (former CEO Dr. Juergen Hambrecht). From 2012 to 2018, BASF's CEO Dr. Kurt Bock has been part of the GC Board.</p> <p>Sustainability is an integral part of BASF's strategy and values. This is reflected by our corporate purpose "we create chemistry for a sustainable future".</p>

References

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

Board Adoption and Oversight

Blueprint Aspects	BASF
<p>Board of Directors (or equivalent) assumes responsibility and oversight for long term corporate sustainability strategy and performance.</p> <p>Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability.</p> <p>Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).</p>	<p>We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF's central steering committee for sustainable development. It is composed of the heads of our business, corporate and functional units, and regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors, helping us expand our strengths and identify our potential for improvement.</p>

References

BASF Report 2017

- Chapter "Integration of sustainability", pp. 29-33

Stakeholder Engagement

Blueprint Aspects	BASF
<p>Publicly recognize responsibility for the company's impacts on internal and external stakeholders.</p>	<p>Our stakeholders include customers, employees, suppliers and shareholders, as well as representatives from academia, industry, politics, society and the media. Parts of our business activities, such as the use of new technologies, are frequently viewed by some stakeholders with a critical eye. In order to increase societal acceptance for our business activities, we take on these questions, assess our business activities in terms of their sustainability, and communicate this transparently. Such dialogs help us to even better understand society's expectations of us and which measures we need to pursue in order to establish and maintain trust and build partnerships.</p>
<p>Define sustainability strategies, goals and policies in consultation with key stakeholders.</p>	
<p>Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.</p>	<p>We use a custom model to identify key stakeholders and involve them more effectively. When selecting our stakeholders, we assess factors such as their topic-specific expertise and willingness to engage in constructive dialog, for instance. We draw on the competence of global initiatives and networks, and contribute our own expertise. We are members of the business-driven sustainability networks like Chemie³, The Conference Board, Together for Sustainability, econsense, CSR Europe, Sustainability Consortium and the World Business Council for Sustainable Development, among others.</p>
<p>Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'.</p>	<p>We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors. We once again met with the Stakeholder Advisory Council in 2017 to discuss important aspects of sustainability. The main topics were strengthening sustainability in the corporate strategy and challenges in the supply chain. We received and implemented recommendations for our thematic focus areas. For example, we initiated a lighthouse project on the circular economy that is analyzing to what extent waste streams can be used as raw materials. In 2017, BASF joined the Ellen MacArthur Foundation's circular economy initiatives to drive forward existing approaches.</p>
	<p>We have a particular responsibility toward our production sites' neighbors. With the established community advisory</p>

panels, we promote open exchange between citizens and our site management, and strengthen trust in our activities. In 2017, we updated our globally binding requirements for community advisory panels at our sites. These minimum requirements are oriented toward the grievance mechanisms outlined in the U.N. Guiding Principles for Business and Human Rights. We keep track of their implementation through the existing global databank of the Responsible Care Management System.

BASF is also active in local Global Compact networks.

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and ongoing dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. If restructuring leads to staff downsizing, for example, we involve employee representatives to develop socially responsible implementation measures at an early stage. This is done in accordance with the respective legal regulations and the agreements reached. It is important to us that this dialog is based on the specific operational situation. For example, in 2017 we developed a qualification concept and derived qualification measures from this together with the employee representatives at the Ludwigshafen site to familiarize employees with new digital working practices in production and support the introduction of applications for mobile devices. By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal considerations for each site. The BASF Europa Betriebsrat (European Works Council) addresses cross-border matters in Europe. The Diálogo Social has established a platform for dialog in South America.

As an integral part of society, we act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). BASF is committed to upholding these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance

Program (including external compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the global management process for the respect of international labor norms.

We completed the restructuring of our management process in 2017. A Group-wide guideline now sets out a BASF standard for compliance with international labor and social standards.⁵ A compliance risk management process monitors its implementation. We completed a risk-based assessment of all the countries in which BASF operates by the end of 2017. In countries where the guideline cannot be readily implemented because of national laws, rules or practices, we will evaluate to what extent meaningful adaptations can be made within the scope of local requirements. A centralized due diligence system is used to regularly assess and document this information, as well as the set targets and measures to implement the guideline. Starting in 2018, the degree of compliance with the guideline in BASF Group companies will be reviewed using internal control processes such as compliance audits.

References

BASF Report 2017

- Chapter “Integration of sustainability”, pp. 29-33
- Chapter “Working at BASF”, pp. 42-47

⁵ The guideline provides concrete interpretations for the topics outlined in the global Code of Conduct under “Human Rights and International Labor Standards.”

Transparency and Disclosure

Blueprint Aspects	BASF
<p>Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.</p>	<p>BASF publishes an integrated annual report and provides more information on sustainability on its homepage www.basf.com.</p>
<p>Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework.</p>	<p>As a member of the UN Global Compact LEAD, we report in accordance with the Blueprint for Corporate Sustainability Leadership.</p> <p>The GRI and Global Compact Index for the BASF Report 2017 can be found in the online report and provides information on GRI indicators, topics relevant to the U.N. Global Compact principles and the results of the audit of this information in the form of an assurance report by KPMG AG Wirtschaftsprüfungsgesellschaft.</p>
<p>Integrate Communication on Progress into annual financial report or publish them together.</p>	<p>Our reporting is audited by a third party. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the BASF Group Consolidated Financial Statements and the Management's Report and has approved them free of qualification. The Audit of the Consolidated Financial Statements including the Notes is based on the likewise audited financial statements of the BASF Group companies.</p>
<p>Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.</p>	<p>Statements and figures pertaining to sustainability in the Management's Report and Consolidated Financial Statements are also audited. The audit with limited assurance was conducted in accordance with International Standard of Assurance Engagements 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the International Standard of Assurance Engagements 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international auditing standards for sustainability reporting.</p>

References

BASF Report 2017

- Chapter "About This Report", pp. 2-4
- Chapter "Compliance" in Corporate Governance Report, pp. 135-136