



**BASF**  
We create chemistry

**onono**

de Experiências Científicas e  
and Digital Experiences Ce

# **BASF in South America**

## **Report 2019**

How we create value

**BASF**  
We create chemistry

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## About this report

The “BASF in South America” Report is published annually as a document on the performance of our activities in the three dimensions of sustainability – economy, environment and society – in South America.

The reference period for this publication is the fiscal year 2019. This report also provides an overview of the BASF Group, together with its financial performance, prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) and, where applicable, the German Commercial Code as well as the German Accounting Standards (DRSC). Emissions, waste, energy and water use from consolidated joint operations are included, based proportionally on our participation. The number of employees refer to employees employed by the BASF Group as of December 31, 2019.

The scope of this review and the main focus points of our reports are defined based on the topics along the value chain, which we identified in internal strategic discussion processes, ongoing global data analysis and dialog with shareholders.

[For more information on our selection of sustainability topics, see from page 33 onwards and basf.com/materiality.](https://www.basf.com/materiality)



## We combine economic success, social responsibility and environmental protection

Through science and innovation, we co-create with our customers, to attend to current and future society issues. With our products and processes, we are able to provide sustainable solutions to global challenges.

We grow through profitably and create value for society. This is how we create chemistry for a sustainable future.

# Welcome

## A message from BASF president for South America

BASF remains firm with its purpose of “creating chemistry for a sustainable future”, innovating and seeking opportunities every day to generate value for our customers and for society.

Through our corporate strategy, which we launched just over a year ago, we are on the right track. Supported by the pillars of innovation, operations, portfolio, sustainability, people and digitalization, we are effectively placing the customer at the center of our decisions.

We have moved forward with a new organizational structure, simplifying processes and showing that we can make BASF a more agile company that is closer to our customers.

We inaugurated the **onono — Center for Scientific and Digital Experiences** — to connect everything in the digital transformation ecosystem and encourage co-creation and development of new products. In 2019, we promoted more than 500 experiences, 7 thousand face-to-face interactions and 9 thousand remote interactions. Through the center, we connected with 120 customers, 70 startups and 10 universities.

We painted a story filled with innovation through the *Suvinil Fora da Lata* (Suvinil Out of the Can) acceleration program, which selected startups that are not afraid to create novelties, with energy and vigor to think outside the box and transform the paint scene in Brazil.

We have strengthened the seed business, contributing significantly to the sustainable development of South America agriculture. Increasing proximity to farmers has contributed to the longevity of their crops and the balance of their business. We innovate, co-create and strengthen our relationships.

These and other initiatives have brought us 37 recognitions from our customers and the market, as the most sustainable company in Brazil by the Exame Sustainability Guide and a stand-out company in the Exame Compliance Guide and Você S/A's Best Companies to Work for.

We were also recognized in Chile as being one of the 20 most innovative companies and received the GfK award; in Colombia, we were recognized for solid waste management with the Latinoamérica Verde award; and in Argentina we were recognized by Buenos Aires government for our relationship with the community and generating a social impact.



These are some of the short-term results that confirm our long-term vision. For circular economy and the main challenges the society is facing, such as climate change and mobility, we offer innovative solutions. We remain firm in our global goal of increasing sales of solutions that significantly contribute to sustainability in the value chain, aiming to reach € 22 billion in 2025, an increase of € 7 billion compared to 2019.

And to innovate with products and solutions for our customers and the needs of society, we believe that diversity is essential. Our aim is to be as diverse as the society in which we operate. For this reason, we set, as a regional goal, concrete objectives for the inclusion of black people, women and people with disabilities in order to gradually increase their representation in the company.

In South America, despite the challenges of global scenario, we have increased sales by 16%, reaching € 3.8 billion, with consecutive growth for seven quarters.

Our success comes from the effort and passion of our employees to better serve our customers, the partnerships with our suppliers and the dialogue with governments, associations and communities that we are part of.

I am grateful to everyone who, together with us, has contributed to the results that you will see in this report, which also attests to the fact that, at BASF, we are creating chemistry for a sustainable future.

**Manfredo Rübens**

BASF President for South America

# BASF Group 2019 at a glance

## Key data

		2019	2018	+/-
Sales <sup>1</sup>	million €	59,316	60,220	(1.5%)
EBITDA before special items <sup>1</sup>	million €	8,217	9,271	(11.4%)
EBITDA <sup>1</sup>	million €	8,036	8,970	(10.4%)
EBIT before special items <sup>1</sup>	million €	4,536	6,281	(27.8%)
EBIT <sup>1</sup>	million €	4,052	5,974	(32.2%)
Net income	million €	8,421	4,707	78.9%
ROCE <sup>1</sup>	%	7.7	12.0	-
Earnings per share	€	9.17	5.12	79.1%
Assets	million €	86,950	86,556	0.5%
Investments including acquisitions <sup>2</sup>	million €	4,097	10,735	(61.8%)

		2019	2018	+/-
Employees at year-end		117,628	122,404	(3.9%)
Personnel expenses	million €	10,924	10,659	2.5%
Research and development expenses <sup>1</sup>	million €	2,158	1,994	8.2%
Greenhouse gas emissions <sup>3</sup>	million metric tons of CO <sub>2</sub> equivalents	20.1	21.9	(8.2%)
Energy efficiency in production processes	kilogram of sales product/MWh	598	626	(4.5%)
Accelerator sales	million €	15,017	14,284	5.1%
Number of on-site sustainability audits of raw material suppliers		81	100	(19.0%)

## Segment data <sup>1</sup>



### Chemicals

Million €

Sales	2019	9,532
	2018	11,694
EBIT before special items	2019	791
	2018	1,587



### Materials

Million €

Sales	2019	11,466
	2018	13,270
EBIT before special items	2019	1,003
	2018	2,400



### Industrial Solutions

Million €

Sales	2019	8,389
	2018	9,120
EBIT before special items	2019	820
	2018	668



### Surface Technologies

Million €

Sales	2019	13,142
	2018	11,199
EBIT before special items	2019	722
	2018	617



### Nutrition & Care

Million €

Sales	2019	6,075
	2018	5,940
EBIT before special items	2019	793
	2018	736



### Agricultural Solutions

Million €

Sales	2019	7,814
	2018	6,156
EBIT before special items	2019	1,095
	2018	734

<sup>1</sup> Restated figures, for more information, see basf.com/report

<sup>2</sup> Additions to intangible assets and property, plant and equipment

<sup>3</sup> Excluding sale of energy to third parties

<sup>1</sup> The segment data for 2018 has been restated to reflect the new segment structure. Figures do not include the construction chemicals activities presented as discontinued operations.

# The BASF Group

**At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 118,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is divided into the Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions segments.**

## Organization of the BASF Group in 2019

As of January 1, 2019, we have 11 divisions grouped into six segments as follows:

- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Pigments, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

The segment data for 2018 presented in this report has been restated to reflect the new segment structure.

On December 21, 2019, BASF and an affiliate of Lone Star, a global private equity firm, signed an agreement on the sale of BASF's construction chemicals business. The purchase price on a cash and debt-free basis is €3.17 billion. The transaction is expected to close in the third quarter of 2020, subject to the approval of the relevant competition authorities. The Construction Chemicals division was previously reported under the Surface Technologies segment. The signing of the agreement had an immediate effect on the reporting of BASF Group. Retroactively as of January 1, 2018, sales and earnings of the Construction Chemicals division are no longer included in sales, EBITDA, EBIT and EBIT before special items of the BASF Group. Until closing, the income after taxes of the Construction Chemicals business will be presented in the income after taxes of BASF Group as a separate item ("Income after taxes from discontinued operations").

Following the approval of all relevant authorities, BASF and LetterOne completed the merger of Wintershall and DEA on May 1, 2019. In September 2018, BASF and LetterOne had signed a transaction agreement to merge their respective oil and gas businesses in a joint venture. Shareholder loans were replaced by bank loans in the course of the merger. Since May 1, 2019, BASF's participating interest in Wintershall DEA has been reported in the Consolidated Financial Statements of the BASF Group according to the equity method, with an initial valuation at fair value. The gain from the transition from full consolidation to the equity method is shown in income after taxes from discontinued operations.

Since May 1, 2019, BASF has reported its share of Wintershall DEA's net income in EBIT before special items and in EBIT of the BASF Group, presented under Other. BASF and LetterOne intend to list Wintershall DEA on the stock exchange by way of an initial public offering (IPO) in the second half of 2020, provided market conditions are suitable.

The disclosures and indicators in the Management's Report on sustainability in 2019 no longer include data on Wintershall. The Construction Chemicals business is included in the disclosures on environmental protection, health and safety, employees and compliance, but has already been removed from the sales-related sustainability figures. The business acquired from Bayer in 2018 is included in the indicators.

[For more informations, see basf.com/report](https://www.basf.com/report)

BASF's new segment structure allows for a more differentiated steering of our businesses according to their market-specific competitive environment. It increases transparency regarding the results of our segments and divisions and highlights the importance of the Verbund and value chains to our business success. BASF aims to clearly position its businesses against their relevant competitors and establish a high-performance organization to enable BASF to be successful in an increasingly competitive market environment.

Our divisions bear operational responsibility and are organized according to sectors or products. They manage our 54 global and regional business units and develop strategies for the 76 strategic business units.<sup>1</sup>

Our regional and country organizations help to leverage market potential. For financial reporting purposes, we have organized the regional divisions into four regions: Europe; North America; Asia Pacific; South America, Africa, Middle East.

Together with our divisions, the three global research divisions – Process Research & Chemical Engineering, Advanced Materials & Systems Research and Bioscience Research – safeguard our innovative capacity and competitiveness.

Business processes such as the procurement of raw materials and services, production and transport to customers were the shared responsibility of the divisions and the functional units in 2019. Seven functional units and eight corporate units support the BASF Group's business activities. The functional and corporate units provided services in areas such as finance, human resources, tax and legal, engineering, site management, purchasing and logistics, environmental protection, health and safety, investor relations, and communications. As part of the further development of the corporate strategy, in 2019 BASF embedded business-critical parts of its functional units into the divisions, such as engineering services, procurement and logistics. This increased customer proximity and improved customer-specific agility. We have also created leaner structures in our functional units, research and development and in governance functions.

<sup>1</sup> Excluding the Construction Chemicals activities presented as discontinued operations

## Organizational realignment as of January 1, 2020

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

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

In addition, four global service units were established: Global Engineering Services and Global Digital Services offer services for individual sites, globally for the divisions or other units of the BASF Group. Global Procurement makes purchasing even more effective. The newly established Global Business Services unit will be a global, flexible and demand-driven service unit that strengthens the competitiveness of the divisions and provides services in areas such as finance, human resources, environmental protection, health and safety, intellectual property, communications, supply chain and consulting.

The role of regions and countries is being sharpened. Going forward, they will primarily represent BASF locally and even better support the growth of business units with local proximity to customers.

The ongoing Excellence Program is expected to contribute €2 billion to EBITDA annually from the end of 2021 onward compared with baseline 2018. BASF expects a reduction of a total of around 6,000 positions worldwide until the end of 2021. This decrease results from the organizational simplification and from efficiency gains in administration, the service units and the operating divisions. In addition, central, functional and regional structures are being streamlined in the context of the announced portfolio changes.

## Sites and Verbund

BASF has companies in more than 90 countries. We operate six Verbund sites and 361 additional production sites worldwide. Our Verbund site in Ludwigshafen, Germany, is the world's largest chemical complex owned by a single company that was developed as an integrated network. This was where the Verbund principle was originally established and continuously optimized before being implemented at additional sites.

The Verbund system is one of BASF's great strengths. We add value by using our resources efficiently. The Production Verbund intelligently links production units and their energy supply so that, for example, the waste heat of one plant provides energy to others.

Furthermore, one facility's by-products can serve as feedstock elsewhere. This not only saves us raw materials and energy, it also avoids emissions, lowers logistics costs and leverages synergies.

We also make use of the intelligent Verbund principle for more than production, applying it for technologies, the market and digitalization as well. Expert knowledge is pooled in our global research platforms.

## Procurement and sales markets

BASF supplies products and services to around 100,000 customers<sup>1</sup> from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

We work with over 75,000 Tier 1 suppliers<sup>2</sup> from different sectors worldwide. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Some of our most important raw materials (based on volume) are naphtha, liquid gas, natural gas, benzene and caustic soda.

## Business and competitive environment

BASF's global presence means that it operates in the context of local, regional and global developments and is bound by various conditions. These include:

- Global economic environment
- Legal and political requirements (such as European Union regulations)
- International trade agreements
- Industry standards
- Environmental agreements (such as the E.U. Emissions Trading System)
- Social aspects (such as the U.N. Universal Declaration of Human Rights)

BASF holds one of the top three market positions in around 70% of the business areas in which it is active. Our most important global competitors include Arkema, Bayer, Clariant, Corteva, Covestro, Dow, Dupont, DSM, Evonik, Formosa Plastics, Huntsman, Lanxess, SABIC, Sinopec, Solvay, Syngenta, Wanhua and many hundreds of local and regional competitors. We expect competitors from Asia and the Middle East in particular to gain increasing significance in the years ahead.

## 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 company cover a broad spectrum of our company. In the BASF Group Consolidated Financial Statements, 295 companies including BASF SE are fully consolidated. We consolidate seven joint operations on a proportional basis, and account for 25 companies using the equity method.

<sup>1</sup> The number of customers refers to all external companies (sold-to parties) that had contracts with the BASF Group in the business year concerned under which sales were generated.

<sup>2</sup> BASF considers all direct suppliers of the BASF Group in the business year concerned as Tier 1 suppliers. These are suppliers that provide us with raw materials, investment goods, consumables and services. Suppliers can be natural persons, companies or legal persons under public law.

# Our Strategy

## Corporate Strategy

**At BASF, we are passionate about chemistry and our customers. To be the world's leading chemical company for our customers, we will grow profitably and create value for society. Thanks to our expertise, our innovative and entrepreneurial spirit, and the power of our Verbund integration, we make a decisive contribution to changing the world we live in for the better. This is our goal. This is what drives us and what we do best: we create chemistry for a sustainable future.**

Today, the world is changing more rapidly than ever before, driven by demographic change and new digital technologies. Our customers in different industries and regions face diverse social and environmental challenges due to limited natural resources, climate change and the increasing demands of a growing global population. Chemistry is key to solving many of these challenges. By combining our unique expertise with our customers' competence, we can jointly develop profitable, innovative and sustainable solutions for these global challenges.

Our purpose reflects what we do and why we do it: **we create chemistry for a sustainable future.** We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. This is why we offer products and solutions that are designed to make the best use of available resources and help to overcome challenges.

Our aspiration is to be the world's leading chemical company and achieve profitable growth. We aim to primarily grow organically and thus are strengthening our customer focus. Our growth strategy is based on investment in strategic growth markets and innovation-driven sectors. The Asian market continues to play a key role here. With a share of more than 40%, China is already the world's largest chemical market and drives the growth of global chemical production. By 2030, China's share will increase to nearly 50% – and we want to participate in this growth. To further our growth in this dynamic market, we plan to build an integrated Verbund site in Zhanjiang in the southern Chinese province of Guangdong. We also want to expand our existing joint venture with Sinopec at the Verbund site in Nanjing.

### Corporate purpose

We create chemistry for a sustainable future

### Customer Orientation

Our customers are our number one priority. We want to view everything we do through the lens of customer relevance. BASF supplies products and services to around 100,000 customers<sup>1</sup> from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

### Customer focus and customer industry orientation

- **BASF puts customers at the center of its decisions and activities**
- **Closer dialog with our customers to increase customer satisfaction**

To be the world's leading chemical company for our customers, we want to further strengthen our customer focus throughout the entire organization. This is why we are aligning our business even closer with the needs of our customers.

Our diverse portfolio – from basic chemicals to high value-added products and system solutions – means that we are active in many value chains and value creation networks. As a result, we use various business strategies, which we flexibly adapt to the needs of individual industries. These range from cost leadership to tailored, customer specific solutions for downstream products. This industry orientation is primarily driven forward and enhanced by the divisions. Around half of our business units are oriented toward specific industries.



### BASF and HYMER: creating innovation together

The VisionVenture concept vehicle is a good example of how we create innovations for the future in close partnership with our customers. BASF and HYMER GmbH & Co. KG, Bad Waldsee, Germany, the European market leader for motor homes and campers, show what a campervan could look like in 2025. More than 20 BASF solutions open up entirely new design options and functionalities, including various high-performance plastics, over 100 3D-printed components, a tailored package of measures for preventing noises and vibrations, and a new coating technology. In less than twelve months, HYMER and BASF together turned their ideas and expertise into a near-production concept camper-van. The VisionVenture was unveiled to the public in August 2019.

For more information on the collaboration with HYMER and the BASF materials used in the VisionVenture, see [basf.com/en/vision-venture](https://basf.com/en/vision-venture)

<sup>1</sup> The number of customers refers to all external companies (sold-to parties) that had contracts with the BASF Group in the business year concerned under which sales were generated.

We are continually refining our organization to even better meet the different needs of our customers. In 2019, we embedded significant parts of our functional services – including parts of research and development, IT, procurement, human resources and communications – into the operating divisions. This makes the operating divisions more agile, enabling them to target specific market demands and differentiate themselves from the competition. We also simplified processes to make the way we work more effective, more efficient and more agile. The objective is to satisfy customer requests in a more focused and targeted way and improve our reaction times so that our customers experience a new BASF.

We aim to put the customer at the center of our decisions and everything we do. Our ability to optimally combine our in-depth expertise with our wide range of resources reflects our ambition to be more than just a supplier. We position ourselves as a solution-oriented system provider. We want to work closely with our partners to develop custom solutions that are both profitable and sustainable. We contribute our expertise to optimize processes and applications together with our customers.

To even better understand our customers' needs, we regularly ask them for feedback on our performance. In 2019, we rolled out the Net Promoter System® worldwide to establish ongoing, closer dialog with customers and further increase customer satisfaction and customer loyalty. This digital platform creates a framework to learn from feedback and respond quickly.

In 2019, we also worked on an expanded IT-based customer relationship management system. We want to roll out this state-of-the-art, even more user-friendly application in 2020 to help sales employees deliver customer support.

We are also pursuing a series of measures that will increase transparency for our customers, enhance customer service and explore joint growth potential. Our comprehensive understanding of value chains and value creation networks as well as our global setup and market knowledge remain key success factors.

## Quality management

Our customers' satisfaction is the basis for our business success, which is why quality management is of vital significance for BASF. We strive to continually improve processes and products. This is also reflected in our Global Quality Policy. The majority of our production sites and business units are certified according to ISO 9001.<sup>1</sup> In addition, we also meet industry and customer-specific quality requirements that go beyond the ISO standard.

## Customer awards

We again received awards from a number of satisfied customers in 2019. For example, in May 2019 we were named a 2018 General Motors (GM) Supplier of the Year for the fourteenth time since 2002. The award is presented to suppliers who distinguish themselves by meeting performance metrics for quality, execution, innovation and

total enterprise cost. GM also recognized us in June with the Sustainability Partner award, the first to be given to a supplier.

The Haier industrial group presented the Golden Magic Cube award to BASF-YPC Company Limited, a 50-50 joint venture between BASF and Sinopec, for the third time in a row in March 2019. The award recognizes, among other things, high product quality, service reliability and a strong customer focus.

In March 2019, Airbus presented us with our fifth Supply Chain & Quality Improvement award. Airbus highlighted in particular the consistently high delivery reliability and quality of the products Naftoseal® and Ardrex®, which we market under the Chemetall brand.

In July 2019, Jaguar Land Rover (JLR) recognized BASF for the first time with the Customer First Recognition Award in gold for outstanding customer focus. An interdisciplinary team at BASF has supported JLR for many years now with innovative solutions for automotive OEM coatings, including the CathoGuard® 800 RE technology and basecoats to realize the individual color preferences of JLR customers in the premium segment. The award honors partners that demonstrate JLR's principles – personalized, transparent, easy to do business with, dependable and make one feel special – which are crucial to the automotive manufacturer's success.



## Creation Center: from inspiration to solution in one place

Discover, understand, create – this is what we offer our customers with the new Creation Centers. These creative centers bring together our comprehensive materials, design, and – in particular – our development expertise in high-performance plastics using the latest visualization technologies. This enables us to address the specific individual needs of our customers and partners, and together transform ideas into tailored products and applications even more quickly. The first Creation Center opened in Mumbai, India, in May 2019. Yokohama, Japan, and Shanghai, China, followed in August 2019. Our fourth Creation Center worldwide opened in Ludwigshafen, Germany, in early 2020.

For more information on BASF's Creation Centers, see [basf.com/en/creation-center](https://www.basf.com/en/creation-center)

<sup>1</sup> ISO 9001 is a standard published by the International Organization for Standardization (ISO) and sets out the requirements for a quality management system.



## Our Targets

Business success tomorrow means creating value for the environment, society and business. We have set ourselves ambitious global targets along our entire value chain. We report transparently on our target achievement so that our customers, investors, employees and other stakeholders can track our progress.

We want to grow faster than the market and thus be economically successful and profitable. Furthermore, we want to provide answers to the most pressing challenges of our time. To combat climate change and global warming, we have resolved to limit total greenhouse gas emissions from our production sites and our energy

purchases to the 2018 level while growing production volumes. In other words, we want to decouple greenhouse gas emissions from organic growth. We have also defined targets for safety for people and the environment, a sustainable product portfolio, responsible procurement, sustainable water management, engaged employees, and inclusion of diversity.

The objective of these targets is to steer our business into a sustainable future and, at the same time, contribute to the implementation of the United Nations' Sustainable Development Goals (SDGs)<sup>1</sup>. We are focusing on issues where we as a company can make a significant contribution, such as climate protection, sustainable consumption and production, and fighting hunger.

## Status of Target Achievement in 2019



<sup>1</sup> For more information on the Sustainable Development Goals (SDGs), see [sustainabledevelopment.un.org](https://sustainabledevelopment.un.org)

<sup>2</sup> Return on capital employed (ROCE) is a measure of the profitability of our operations. We calculate this indicator as the EBIT generated by the segments as a percentage of the average cost of capital basis.

<sup>3</sup> Dividend proposed by the Board of Executive Directors

<sup>4</sup> Accelerator products are products that make a substantial sustainability contribution in the value chain.

<sup>5</sup> We understand relevant spend as procurement volumes with suppliers defined as "relevant." For more information, see [basf.com/report](https://basf.com/report)

## Our strategic action areas

To reach our goals and be the leading company in the chemical industry for our customers, we are strengthening our performance in innovation and in operations as the leading chemical producer and plant operator. We leverage digital technologies and data to create additional value added for us and our customers. We are embedding sustainability even more deeply into the steering of our business. We want to foster a passion for our customers in all employees. We are expanding our portfolio and refining our organization to better meet customer needs using the power of our Verbund integration. To this end, we have defined six strategic action areas on which will continue to base our activities.

### Innovation

Our ambition is to be the most attractive partner for our customers whenever they are confronted with challenges that can be approached with chemistry. Our research and development competences are industry-leading. We aim to build on and leverage this strength to develop innovations together with our customers. We want to continuously improve our innovation processes so that we can bring products to the market more quickly.

### Sustainability

We are successful in the long term when our products, solutions and technologies add value to the environment, society and the economy. We want to be a thought leader in sustainability, which is why we are increasing the relevance of sustainability decision-making processes and business models. This secures the long-term success of our company, creates business opportunities and establishes us as a key partner supporting our customers.

### Operations

We produce safely, efficiently and reliably so that we can deliver products to our customers on spec and on time. We strive to continually improve the reliability and availability of our plants, as well as our agility. Above and beyond this, continuous process improvements and effective debottlenecking of our existing asset base are paramount to ensure our competitiveness.

### Digitalization

Digitalization is an integral part of our business. This creates additional value for our customers, grow our business and improve efficiency. We are extensively promoting digital skills among our employees to ensure that the necessary resources are always available to leverage the opportunities of digitalization to the benefit of our customers.

## Action areas sharpen customer focus



### Portfolio

We will sharpen our portfolio and focus our capital allocation toward growth areas. We will focus primarily on organic growth through capital expenditures and innovation. We also make targeted acquisitions where this makes strategic sense and creates value and divest businesses that are no longer a strategic match. Our segment structure creates a high level of transparency regarding the steering of our businesses, the importance of value chains and the role of our Verbund. The physical, technological, market and digital integration of the Verbund is at the core of our portfolio and our strengths.

### Employees

We aim to clearly position each business against its relevant competitors and establish a high-performance organization to enable us to be successful in an increasingly competitive market environment. Our people are what will make the implementation of our strategy successful. We rely on the engagement of our employees and give them the tools and skills necessary to be able to offer our customers differentiated and customized products, services and solutions. Our tailored business models and organizational structures ensure that each business unit can optimally serve its market segment.

## Corporate values

guide our conduct and actions

**Creative:** we make great products and solutions for our customers. This is why we embrace bold ideas and give them space to grow. We act with optimism and inspire one another.

**Open:** we value diversity, in people, opinions and experience. This is why we foster feedback based on honesty, respect and mutual trust. We learn from our setbacks.


**Responsible:** we value the health and safety of people above all else. We make sustainability part of every decision. We are committed to strict compliance and environmental standards.

**Entrepreneurial:** we focus on our customers, as individuals and as a company. We seize opportunities and think ahead. We take ownership and embrace personal accountability.

# BASF in different regions

BASF Group sales 2019: €59,316 million  
 EBIT 2019: €4,052 million

**North America**




**16,420**  
Sales<sup>1</sup> (in million €)

**692**  
EBIT (in million €)

**19,355**  
Employees<sup>2</sup>

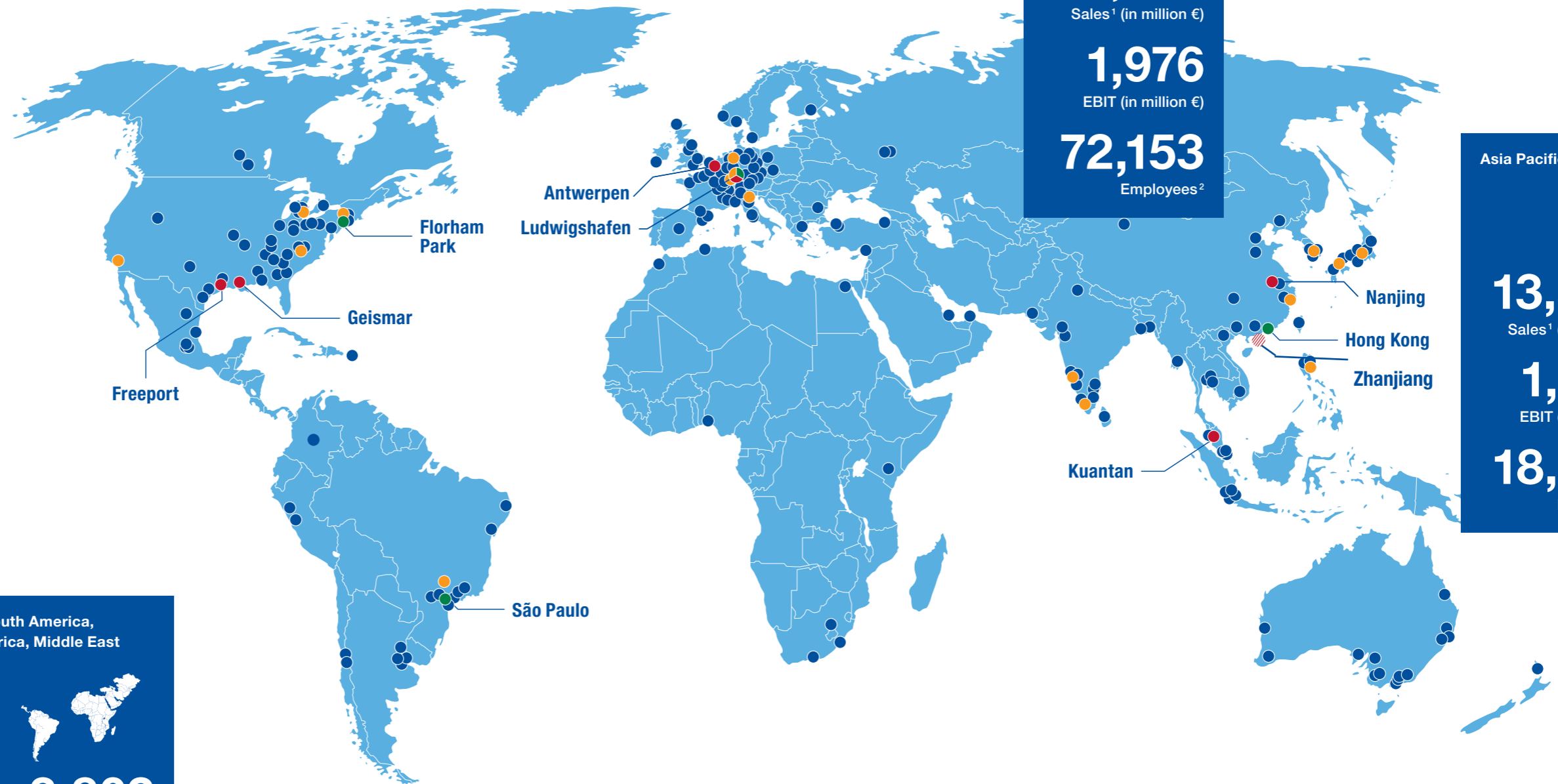
**South America, Africa, Middle East**




**3,802**  
Sales<sup>1</sup> (in million €)

**302**  
EBIT (in million €)

**7,486**  
Employees<sup>2</sup>



**Europe**




**25,706**  
Sales<sup>1</sup> (in million €)

**1,976**  
EBIT (in million €)

**72,153**  
Employees<sup>2</sup>

**Asia Pacific**



**13,384**  
Sales<sup>1</sup> (in million €)

**1,082**  
EBIT (in million €)

**18,634**  
Employees<sup>2</sup>

- Regional centers
- Selected sites
- Verbund sites
- Planned verbund sites
- Selected research and development sites

<sup>1</sup> In 2019, by location of company  
<sup>2</sup> At year-end 2019

# BASF on the Capital Market

In 2019, the stock markets were again characterized by long periods of uncertainty as a result of the trade conflicts, especially between the United States and China. Geopolitical tensions also contributed to a volatile stock market environment.

We stand by our ambitious dividend policy and will propose a dividend of €3.30 per share at the Annual Shareholders' Meeting – an increase of €0.10 compared with the previous year. Based on the year-end share price for 2019, BASF shares offer a high dividend yield of around 4.9%.

## BASF share performance

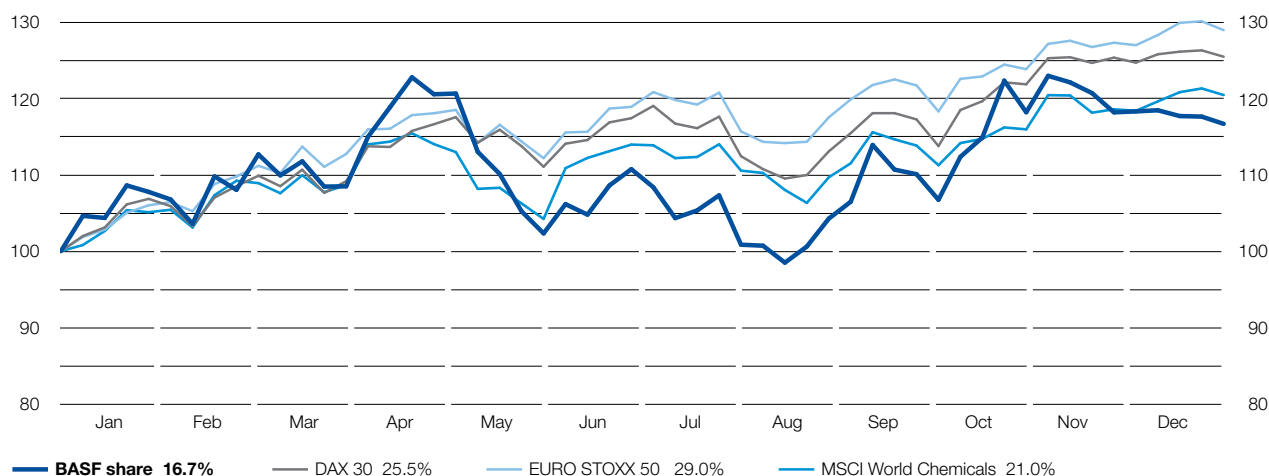
- **BASF share gains 11.5% in 2019**
- **Assuming that dividends were reinvested, BASF's share performance rose by 16.7%**

The BASF share closed the 2019 stock market year with a closing price of €67.35, an increase of 11.5% compared with the previous year's closing price. Alongside the general brightening in market sentiment at the end of the year, the increase in BASF's share price was attributable to better earnings developments in BASF's downstream segments.

Assuming that dividends were reinvested, BASF's share performance rose by 16.7% in 2019. The benchmark indexes of the German and European stock markets – the DAX 30 and the EURO STOXX 50 – rose by 25.5% and 29.0% over the same period, respectively. The global industry index MSCI World Chemicals gained 21.0%.

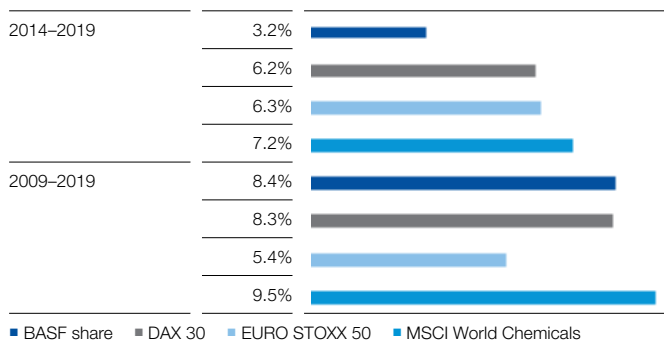
## Change in value of an investment in BASF shares in 2019

With dividends reinvested; indexed



## Long-term performance of BASF shares compared with indexes

Average annual increase with dividends reinvested



## Weighting of BASF shares in important indexes as of December 31, 2019

DAX 30	5.9%
EURO STOXX 50	2.3%
MSCI World Chemicals	6.5%

Viewed over a 10-year period, the long-term performance of BASF shares surpasses the German and European benchmark indexes. The assets of an investor who invested €1,000 in BASF shares at the end of 2009 and reinvested the dividends in additional BASF shares would have increased to €2,250 by the end of 2019. This represents an annual yield of 8.4%, placing BASF shares above the returns for the DAX 30 (8.3%) and the EURO STOXX 50 (5.4%).

### Proposed dividend of €3.30 per share

At the Annual Shareholders' Meeting, the Board of Executive Directors and the Supervisory Board will propose a dividend payment of €3.30 per share. We stand by our ambitious dividend policy of increasing our per-share dividend each year and plan to pay out €3.0 billion to our shareholders.

Based on the year-end share price for 2019, BASF shares offer a high dividend yield of around 4.9%. BASF is part of the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 30.

### Dividend per share

€ per share

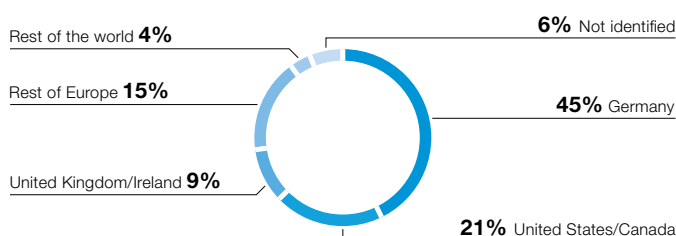


### Broad base of international shareholders

With over 600,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. An analysis of the shareholder structure carried out at the end of 2019 showed that, at around 21% of share capital, the United States and Canada made up the largest regional group of institutional investors. Institutional investors from Germany accounted for around 12%. Shareholders from the United Kingdom and Ireland hold 9% of BASF shares, while investors from the rest of Europe hold a further 15% of capital. Approximately 33% of the company's share capital is held by private investors, nearly all of whom reside in Germany. BASF is therefore one of the DAX 30 companies with the largest percentage of private shareholders.

### Shareholder structure

By region, rounded



### Employees becoming shareholders

In many countries, we offer share purchase programs that turn our employees into BASF shareholders. In 2019, for example, around 25,400 employees (2018: around 25,600) purchased employee shares worth €70.5 million (2018: €79 million).



## How we operate

We celebrated our presence in South America for more than a century, reaffirming our long-term commitment to economic success, environmental protection and social responsibility.

# BASF in South America – Local report

## Executive Committee

**Manfredo Rübens**  
President

**Luciana Amaro**  
Vice President of  
Human Resources

**André Oliveira**  
Legal Director,  
Insurances,  
Intellectual  
Property and Chief  
Compliance Officer

**André Wehrmann**  
Senior Vice  
President of  
Chemicals, Surface  
Technologies  
and Services

**Eduardo Leduc<sup>1</sup>**  
Senior Vice  
President  
Agricultural  
Solutions



**Alberto Jose  
Zuñiga Sanchez**  
Vice President of  
Country Cluster  
Northwest

**Vera Felbermayer**  
Vice President  
Technical Services  
and Infrastructure

**Andrés Jose  
Monroy Trujillo**  
Vice President of  
Country Cluster  
South

**Antonio Lacerda**  
Senior Vice President  
Nutrition & Care,  
Industrial Solutions  
and Materials

**Marcos Allemann**  
Vice President  
Decorative Paints

**Cristiana Brito**  
Director Corporate  
Affairs and  
Sustainability

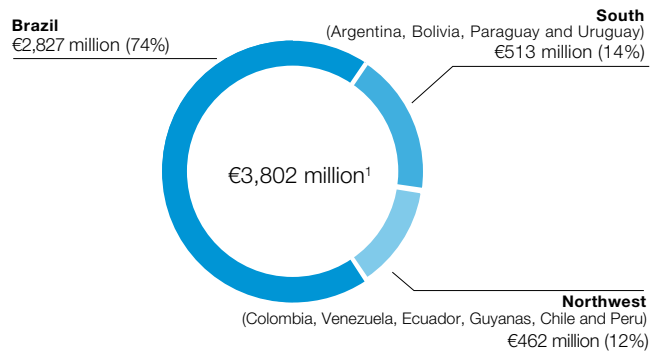
<sup>1</sup> Eduardo Leduc was Senior Vice President of Agricultural Solutions until December 2019, when he retired. His successor is Sergi Vizoso (effective from January 2020).

# BASF in South America

## Overview

At BASF, we create chemistry for a sustainable future, we combine economic success with environmental protection and social responsibility. Our purpose guides our portfolio of solutions, which contributes to the preservation of natural resources, ensuring healthy food and nutrition and helping to improve the quality of life.

We believe in South America in long-term operations. We create business opportunities as a strategic partner for our customers and contribute to their sustainable performance and business results. We invest in the development and research of solutions and new technologies in our production units, in order to serve our customer better. In 2019, sales to customers in South America totaled € 3.8 billion, representing a 16% growth compared to the previous year.

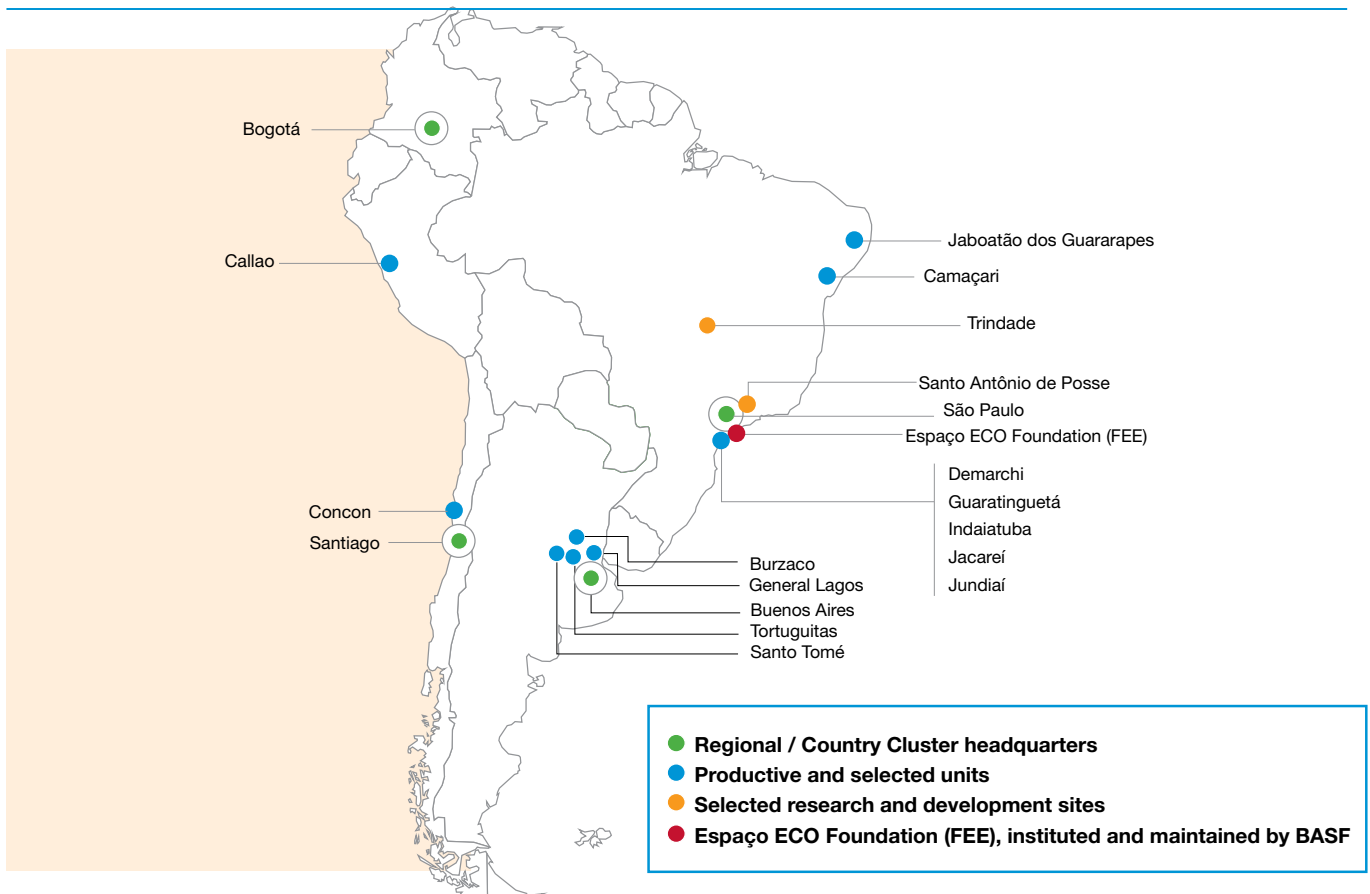


**Presence in South America – Headquarters São Paulo, Brazil**  
14 production units and 42 agricultural research and innovation centers (two of them global)

The 13 business units are supported by corporate units and business services which are organized geographically:

- Brazil
- Country Cluster Northwest: Chile, Peru, Colombia, Venezuela, Ecuador and Guyana
- Country Cluster South: Argentina, Bolivia, Paraguay and Uruguay

## Production and selected units



<sup>1</sup> Location of customer, group consolidated, sales to third parties. By legal entity, including sales to BASF group companies. In June 2019, the South America region was reorganized into three regions: Brazil, Country Cluster Northwest and Country Cluster South. The financial data and number of employees from then on started to be presented with this new distribution.



**BASF**  
We create chemistry



gui  
**EXA**  
Sustent  
2019

**Criamos química  
para um futuro  
sustentável.**

#sustentavel  
BASF

## **We are the most sustainable company of the year 2019**

We received 37 recognitions in South America, including being the most sustainable company, according to the Exame Sustainability Guide 2019, a business publication in Brazil. We were recognized for our progress in our sustainable development goals and for our good practices.

# Commitment to South America

We have been present in the world for 155 years and for 109 years in South America. In 2019, we celebrated our long-term presence in various units in Argentina, Brazil, Chile and Colombia with some important initiatives.



## General Lagos 50 years – Argentina

The unit is responsible for the production of dispersions and additives. It also acts as a distribution center for the Agricultural Solutions division. The celebration included the planting of 50 trees, one for each year of our presence in the country.



## Bogota 80 years – Colombia

We celebrated 80 years of presence in Colombia with different activities aimed at the community and customers, such as the inauguration of an application laboratory for dispersions, pigments and asphalt; celebration events with customers and partners; a campaign to promote the benefits of chemistry and the contribution of the chemical industry to the country.



## Concón 50 years – Chile

The celebrations in Concón, where dispersion, resin and saponin factories are located, counted on the active participation of employees, family members and local authorities. The unit has the Excellence in Energy Efficiency Program – TripleE (see more on page 28). Through it, the energy consumption is measured and modernization measures evaluated that support its reduction.



## Guaratinguetá 60 years – Brazil

The Chemical Complex in Guaratinguetá is the company's largest unit in South America, With products having over 1,500 applications in the market, such as agricultural crop protection products, sodium methylate, raw materials for adhesives, resins, paints, detergents, cosmetics and solutions for the automotive market, among others. Inaugurated in 2019, the Manufacturing Training and Innovation Experience (Matrix) is a space created to promote the digitalization experience. The objective is to allow employees, customers and the community to experience digitalization in BASF's operations through technologies, solutions, training and the development of ideas and innovations.



## Jaboatão dos Guararapes 40 years – Brazil

The unit, responsible for the production of decorative paints for the North and Northeast regions, now has a Suvinil Training Center. The space contributes to the professionalization of the local workforce, generating new opportunities for residents of the region.

## Corporate governance

Our global corporate governance structure divides management and supervision between two boards: the Board of Directors and the Supervisory Board. The Board of Directors is responsible for managing the company. It manages and monitors the business of the BASF Group through the planning and definition of the corporate budget; resource allocation and management capacity; monitoring and decision making in relation to individual measures; and operational management control.

The Supervisory Board is made up of six members representing the shareholders elected in the Annual General Meeting of Shareholders and six employee representatives, appointed by the respective representative body, BASF Europa Betriebsrat (BASF European Labor Council).

## Sustainability strategy and governance

BASF's global sustainability strategy completed 25 years in 2019. We were one of the first companies in the world to position ourselves publicly, committing ourselves to sustainable development. Thus, we assume a pioneering and leading role, which we still maintain today. Currently, almost 97% of the most important items in our solutions portfolio (which has more than 60 thousand specific product applications) are segmented into four categories, according to their contribution to sustainability and has action plans according to its attributes.

Sustainability is increasingly embedded in our business decisions. The BASF President for South America, Manfredo Rübens, is the leader of the subject and of the governance of sustainability in South America.

The Sustainability Committee, made up of executives representing various business areas and service areas of BASF South America, is the body responsible for applying this governance and reports to BASF's South America Executive Team. They define and monitor the sustainability goals, prioritize strategic projects and ensure that the defined results are achieved.

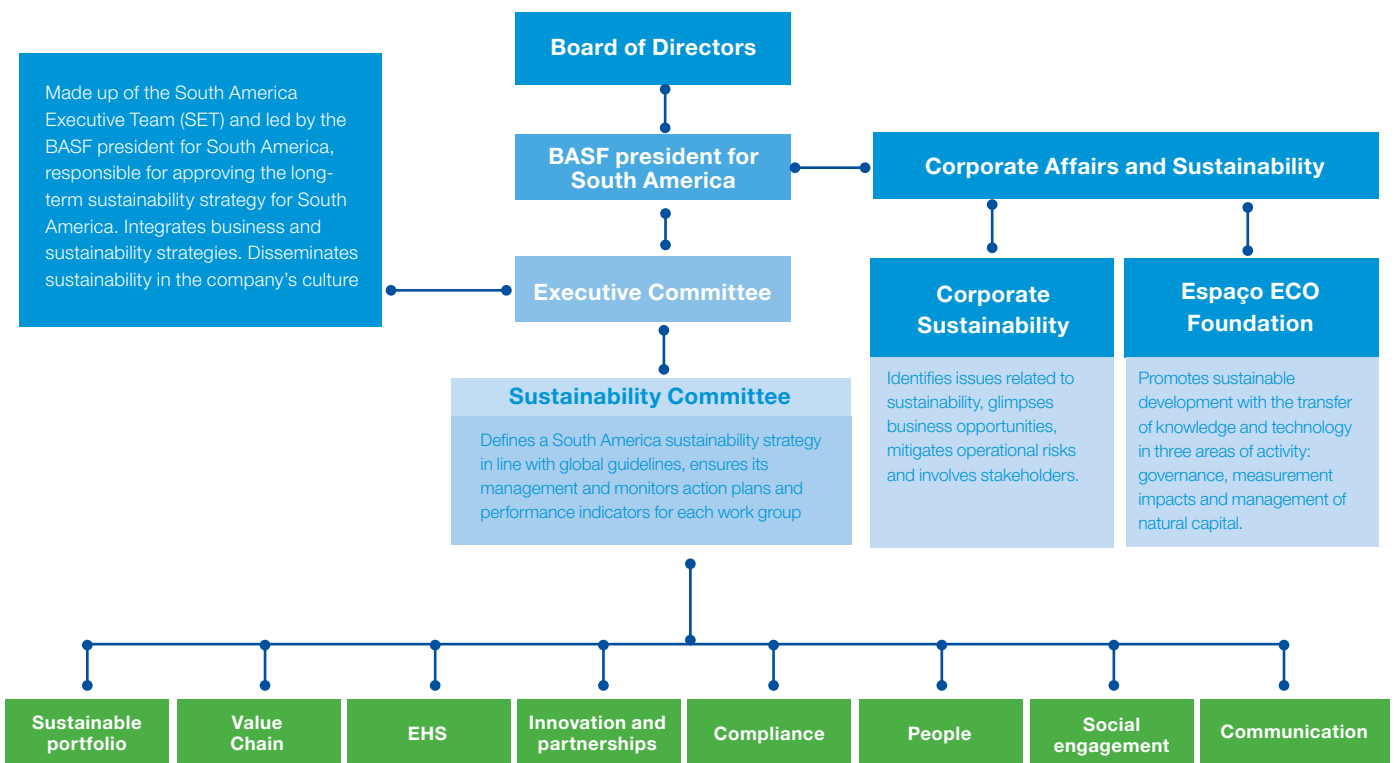
## Compliance

Since 1996, we operate a structured global Compliance program for employees, representatives, suppliers and contractors, with the objective of ensuring compliance to legal norms and regulatory standards, as well as with the company's policies and guidelines. Thus, we align this practice with the strategic objectives, mission and vision of the company.

It also contributes to maintaining the integrity and legitimacy of our operations and frames our commitment to ethics. This integral posture demonstrates the sustainability of our business.

**Compliance channels** – Through our Ethics Channel, collaborators also have the possibility of sending in their suggestions via the website, email or application:

- ☎ 0800 600 5863
- 🌐 [www.contatoseguro.com.br/basf](http://www.contatoseguro.com.br/basf)
- ✉ [eticabasf@contatoseguro.com](mailto:eticabasf@contatoseguro.com)
- 📱 app Contato Seguro (available in Apple Store and Google Play).





## Co-creations with our customers

We add knowledge to jointly develop innovative solutions that respond to the main current and future challenges of society.

## Highlights

**We want to be the leading chemical company for our customers. To this end, we have strengthened our passion for all our customers across the organization, being better prepared to better serve their needs and solve their challenges. Uniting our capacity to innovate with our vision of sustainability and the competence of our customers, it is possible to grow profitably and create value for society.**

In 2019, we reinforced the six pillars of our Corporate Strategy – Innovation, Sustainability, Operations, Digitalization, Portfolio and People – and we are steadfast in our financial and non-financial goals.

### Highlights of the year

**- Net Promoter System® (NPS)® program:** promoting the continuous improvement of the customer experience with BASF is part of our business strategy. In this sense, we firmly follow our goal of serving the customer and understanding how we can improve ourselves so that, together, we can develop solutions to increase their business.

We enable customers to actively participate in improvement actions through receiving feedback from them. Based on the pillars “Listen”, “Learn” and “Act”, the NPS® program contributes to our strategy, allowing regular consultations with customers, enabling us to understand their needs and demands more transparently. Launched in Brazil at the beginning of 2019, it also makes employees aware that this is not only the role of the sales team, but that of the entire organization. The program was implemented in all countries in South America.



**Growth in the agricultural segment:** Latin America accounts for about 23% of sales in the Agriculture Solutions Division, with Brazil being the main country in the region (accounting for 15% of sales).

Globally, BASF's Agricultural Solutions Division plans to increase its market share and grow by one percentage point above the agricultural market. By 2030, the goal is to increase sales by 50%.

**- Strengthening of the seed business:** we want to make a significant contribution to the sustainable development of South America agriculture. We are even closer to farmers, understanding their needs and offering solutions focused at their crop production systems and contributing to the longevity of their crops and their sustained business success. The purchase of the seeds and selected crop protection assets in 2018 repositioned BASF, as a Agricultural Solutions company and strengthened our position in segments such as soybean, cotton, and fruits and vegetables. We also reinforced our digital position and regional research on new technologies and biotechnologies. During 2019, we launched 10 varieties of soybean seeds under the Credenz® and Soytech® brands.

- Credenz: BASF's soybean brand has integrated more than 35 quality tests – from production to the dispatch of each seed lot – it conducts training of multipliers for the selection of planting areas, planting stages, processing and dispatching of seeds. It uses a state-of-the-art production system so that the farmer gets the best results for their crop and promotes sustainable agriculture.

New technologies are important tools for the farmer, as they contribute to the sustainable development of their crops and farms.

In South America, we plan to launch more than 50 new crop protection solutions, in addition to new traits, varieties and digital tools. Only in Brazil, we aim to provide to the farmer 35 new solutions in crop protection and biotechnology solutions by 2030, in addition to the launch of digital tools, fruit and vegetables seeds and several soy and cotton varieties (a segment in which we are the leaders, with the FiberMax® brand). Worldwide, we project potential sales for the agricultural solutions innovation pipeline of more than € 7.5 billion



**Test your Suvinil Adhesive Color:** reinforcing the attributes of an innovation and pioneering spirit, Suvinil launched a new format for Test Your Color: the adhesive version. The product, a pioneer in Brazil, is available in 54 colors, it has a matte finish, with the same color fidelity as the Suvinil color wheel and it simplifies the color selection process. The product is an alternative to experiment with different colors in an environment, facilitating the color selection process.

**Advanced Research and Innovation Centers:**

Our structure has also become more robust, with 27 units in South America: 17 in Brazil, 4 in Argentina, 3 in Colombia, 2 in Equador and 1 in Chile.

Furthermore, two units are classified as Global Research Centers:

- **Trindade (GO, Brazil) – seeds and traits (biotechnological events/genetic improvements):** The research and improvement of seeds started in 2000, in the Santa Helena region (GO, Brazil). It then moved on to Primavera do Leste (MT, Brazil) and, in 2009, it was transferred to the municipality of Trindade (GO, Brazil). In 2018, the Center increased its size fourfold and became one of BASF's most complete and modern stations. The Center received investments to the value of BRL 60 million.

- **Santo Antônio de Posse SP (São Paulo) – crop protection.** An investment of BRL 40 million was made for the expansion and modernization of the laboratories and facilities of this Research Center.



Chemical Complex in Guaratinguetá (SP, Brazil)

- **Acquisition of Isobionics:** we entered the market of natural ingredients for the composition of aromas and fragrances with the acquisition of the leader in biotechnology innovation that serves the global market for natural products, and through a cooperation agreement with Conagen, a leader in biotechnology research.

Through the business, we intend to advance the technology of aromatic ingredients based on biotechnology, since the aroma and fragrance industry is experiencing a growing demand for natural ingredients, thus responding to the current market challenges.

- **Increase in production capacity:** in 2019 an investment was approved to increase the nominal production capacity of sodium methylate by 30%. The factory, located in Guaratinguetá (SP, Brazil), will start producing 80 thousand metric tons per year from 2020.

Sodium methylate is an efficient and reliable catalyst, which offers a sustainable solution for the production and use of biodiesel, meeting the requirements of engine manufacturers regarding high quality fuels and less emissions. The catalyst increases productivity and reduces the cost of preparing biodiesel.

- **New automotive refinishing training center (Callao, Peru):** Glasurit, BASF's automotive refinishing brand, opened the Refinish Competence Center (RCC), a training center focused on professionalizing the automotive paint market.

- **Launch of Eco Balance:** Glasurit launched, in Argentina, the first line of automotive refinishing products that is certified with the mass balance approach (since the beginning of the product manufacturing process, the fossil resources that were used are now replaced with renewable resources), delivering a product that has the same quality but is even more sustainable for our customers.

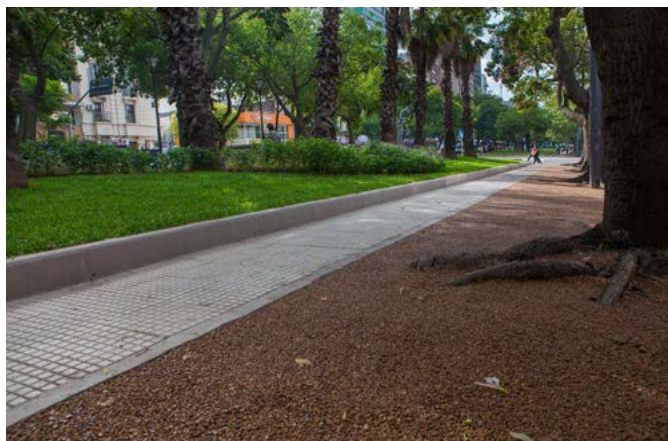
- **Our Nutrition & Health solutions are present in the new launch of the company H & TLab, in Chile.** Omega-3 of the highest purity and concentration (PronovaPure) is the main ingredient of this supplement, which seeks to improve the quality of life of the population.

Trindade Research Center – investments

**BRL 60 million**

Santo Antônio de Posse Research Center – investments

**BRL 40 million**



**Elastopave® polyurethane system:** used as an ally to prevent stagnation during periods of rain, draining about 90% of the water stagnation, the technology has already been applied in more than 100 sites and its implementation is projected for 20 new kilometers in Argentina.



**We are innovative and sustainable**

Our innovations contribute significantly to changing the world in which we live, for the better.

# Innovative and sustainable solutions for customers

**We want to be the most attractive partner for our customers whenever they are faced with challenges that can be solved with chemistry.**

We opened a new space for co-creation and technology development in São Paulo (SP, Brazil) in March 2019. Called **onono**, the Center for Scientific and Digital Experiences connects and brings together customers, suppliers, startups, employees and universities. The place is equipped with the latest technology for laboratories that are used for product research and testing, connectivity, process digitization and design.

With the new space, the laboratories for homecare and personal care products are closer to customers and in a structure that is equipped to develop innovative and customized solutions for the local market and to perform performance tests. In the air-conditioned sensory laboratory, it is possible to perform instrumental tests for different types of sensitive skin and hair in a controlled environment. It is also where the first specific equipment for the evaluation of volume and frizz is installed, in Brazil. **Onono** also includes a test salon for professionals. The laboratories are connected to BASF innovation centers around the world, enabling the exchange of experiences and content in real time.



**Onono stimulates and generates value for the entire ecosystem**

## Innovation

– **Soluprat™**: we have launched a line of semi-ready formulations in order to meet the needs of cleaning product manufacturers. Under the Soluprat™ brand, featuring a concept combining “solution” and “practicality”, this line is made up by formulations for liquid laundry detergents, dish-washing detergents and surface cleaners which

only require customization. Thus, manufacturers only need to dilute the formulation, adding fragrances, thickening agents and coloring agents, according to the final product they wish to offer consumers. In alignment with the brand’s concept, we have also launched the Soluprat shampoo line. Its concentrated base has all the regular substances that make up a shampooing product. Thus, manufacturers only need to dilute the base, adding fragrances and other additives if they want to customize their product.

– **Employees in action**: innovation at home is also promoted by the Eureka suggestion program, which invites employees to identify opportunities for improvement in their work routine, by observing and combating the eight LEAN wastes (Lean Manufacturing). In 2019, more than 2,500 employee ideas and suggestions were received, and the suggestions put into practice earned BASF a benefit of €1.7 million. The program, since its regionalization in 2009, has already accumulated €18.5 million.

Eureka Program in 2019 (South America)

**2,530**  
Registered ideas

Eureka Program in 2019 (South America)

**€ 148,923**  
Benefits paid to employees

– **Awarded sustainability**: reducing one’s consumption footprint is one of the most relevant issues for society today. Thus, the sustainable use of plastic becomes central to reducing this impact. Companies like Greenpack – involved in the design, manufacturing and sale of biodegradable, compostable, recyclable and sustainable packaging – presents itself as one of the alternatives for this issue. For the development and manufacturing of its products, it uses Ecovio®, a compostable plastic from BASF, obtained from renewable raw materials. Greenpack received the award Latinoamérica Verde 2019 award, which recognizes the 500 largest impact projects in Latin America.

## Digitalization

Digitalization is part of our strategy. It brings us closer together and allows us to create new experiences for the client, in addition to guiding efficiency in processes.

The **Agrega** program, developed by the Agricultural Solutions division, completed its 1-year anniversary in 2019. Adhesion to the program is carried out through a digital platform. With the purchase of products from the BASF portfolio, or from participating in





### Innovation in agriculture

campaigns and company events, the farmer starts to accumulate points that can be exchanged for services and solutions that help in managing their crops and thus contributes to the longevity of the business.

Through the interactive digital commerce platform **shop@BASF**, customers can buy products, receive technical information, content trends, request samples, receive price quotes and request advice from our professionals. For the third consecutive year, we also used this platform for commercialization during **Black Week/Black Friday**. In addition to taking advantage of promotions, more than 40 customers opted to offset the CO<sub>2</sub> emissions from their deliveries sustainable freight at no additional cost.

**- Launch of xarvio™, a global digital agriculture platform:** Using drones, it allows for savings of up to 50% of herbicides when controlling weeds in soybean crops. The product is applied solely in infested areas, providing efficiency and sustainability to farmers. Field Manager is the monitoring system that identifies the location and amount of weeds in the crops. The process is closely monitored by our Digital Agriculture team.

### Co-creation

For the fourth consecutive year, we participated in the Startups Connected Program, presented by the Brazil-Germany Chamber, an initiative that aims to develop new businesses between startups and large companies. More than that, it encourages the co-creation of new solutions, together with the anchor companies. We participate with the “Circular Economy” challenge in search of partners who work with innovative solutions to increase the reuse and recycling of waste.

The startup selected was Biosolvit, which operates in the biotechnology area, with solutions for absorbing oil derivatives on land or at sea to avoid or solve environmental problems.

AgroStart, known since 2016 for the acceleration of agribusiness startups, expanded its performance area to be able to co-create with diverse audiences. The initiative has already interacted with more than 420 startups and carried out nine acceleration processes.

With a new platform, it promotes innovation and entrepreneurship in agribusiness. The technologies developed by the startups and in entrepreneurial initiatives are focused on automation, shared economy, precision agriculture and crop management. The solutions seek to increase efficiency in the field through resource optimization and more productivity.

The co-creation process has also become more robust as of 2019. Banco do Brazil joined the AgroStart Ecosystem, an initiative for interaction between companies. The new partner joins Bosch and Samsung with the aim of co-creation and knowledge exchange to generate innovation for agribusiness. In addition to the Ecosystem, other interactions with external companies and entrepreneurs can be generated for BASF Venture Capital (BVC).

**- Suvinil Fora da Lata:** In 2019, the paint brand Suvinil joined Liga Ventures, an accelerator that connects large companies to startups, to launch the *Suvinil Fora da Lata* (Suvinil Out of the Can) project. The objective is to support startups linked to innovation, technology and the creative economy to seek innovative solutions, to establish valued partnerships and generate positive transformations for the paint market. The acceleration process includes mentoring with professionals from BASF, Suvinil and Liga Ventures.

After a three-step selection process – screening, interviews and pitch day – with over 300 applicants, Suvinil has chosen four start-up companies to participate in the program with projects aimed at waste management, digital transformation, image and video interpretation and manufacturing processes.



## **We are committed to the environment**

We rely on increasingly efficient processes, using less resources and cutting back our gas emissions and waste. We operate in a sustainable and productive way.

# Environment, health and safety

## Energy

According to our sustainability strategy, we believe that the conscientious use of electrical powers is an important challenge to overcome. Four years ago, we started the Excellence in Energy Efficiency Program (TripleE), which focuses on improving energy costs and reducing environmental impacts and is the basis of the entire ISO 50001 certification process.

With TripleE, and in partnership with the Universidade Estadual Paulista (Paulista State University – UNESP), in-depth analyzes of the facilities and the equipment for the implementation of the program are carried out in seven of our units – the Brazilian ones are located in Guaratinguetá, São Bernardo do Campo (Demarchi), Jacareí, Indaiatuba, Camaçari, in addition to General Lagos (Argentina) and Concón (Chile).

The results achieved since the beginning of TripleE (2016) include 135 energy efficiency projects that have been carried out, with a cost reduction of BRL 17.5 million in energy. These opportunities represent an improvement in the reduction of energy consumption by 62.6 GWh per year and a decrease in the generation of 10.9 thousand tons of CO<sub>2</sub>eq per year.

Through the program, BASF in Chile obtained the ISO 50001 certification for its Concón plant, becoming the first major chemical company in the country to obtain this certification.

### Certifications

Some areas and production units of BASF's Industrial Paints and Varnishes Complex in São Bernardo do Campo (SP, Brazil) received the international ISO 50001 certification, a recognition that attests that we have implemented policies for the conscious use of energy and have established systems and processes for energy efficiency in use and consumption. The resin factory and the infrastructure, energy and utilities areas were the first to be certified.

In December 2019, the Camaçari Acrylic Complex (BA, Brazil) also received the ISO 50001 certification.

The Guaratinguetá unity (SP, Brazil) was the first to be certified, in 2017, and it has been re-certified annually since then, which puts us at the forefront in the Brazilian chemical sector in regards to this recognition.

### Electricity consumption (Brazil, MWh)

2019	271,340	
2018	269,324	
2017	272,434	

### Steam consumption (Brazil, metric tons)

2019	458,863	
2018	458,035	
2017	433,475	

The steam consumed considers imported and domestically generated except that which is destined for export. There was a correction in the 2018 value

### Fuel consumption (Brazil, MWh)

2019	176,587	
2018	193,948	
2017	189,767	

The indicator shows the consumption of fuel exclusively at the Power Plants. There was a correction in the 2018 value

In 2015, in order to diversify its energy matrix, the Chilean government created Cerro Dominador – the first solar energy concentration and capture plant in Latin America.

This initiative contributes to the goal that, by 2025, 20% of the country's total energy will come from renewable and unconventional sources. BASF contributes to the project with a customized solution to minimize structural deformations caused by thermal expansion in equipment (heliostat). The chosen technology was the Elastopor rigid polyurethane foam system, which fills the space between the mirror and the metal structure that supports it.

Heliostats manufactured with the Elastopor system prevent the generation of 643 tons of CO<sub>2</sub> per year in the atmosphere, which is equivalent to the emission of 357 thousand vehicles in circulation in the same period, and since July 2018 it has benefited more than 400 thousand homes in Chile.

## Emissions

Climate protection is firmly embedded in our purpose of creating chemistry for a sustainable future. We are committed to the Paris Agreement and its goal to limit global warming to less than 2 degrees Celsius. Our innovative climate protection products, such as insulation materials for buildings or batteries, play a very important role in achieving this goal. We are also continuously working in order to cut back our own carbon emissions. We have already decreased our carbon emissions by almost half since 1990 through improvements to our processes and methods, while doubling our production volumes. Our goal is to continue to increase our production without adding more CO<sub>2</sub> emissions by 2030. In order to do so, we intend

to increase the efficiency of our production and processes, purchase electrical power from renewable sources and develop completely new low-emission processes and technologies.

**Emissions of pollutants<sup>1</sup> in the atmosphere/year** (Brazil, tons of pollutants per year)

Year	2019	2018	2017
2019	219	216	234
2018	216		
2017	234		

Pollutants: CO, NO<sub>x</sub>, NMVOC, SO<sub>x</sub>, dust, NH<sub>3</sub>/other inorganics  
There was a correction in the 2017 value

**Emissions of Greenhouse Gases** (Brazil, tons of CO<sub>2</sub> equivalent per year)

Year	2019	2018	2017
2019	111,135	114,619	94,482
2018	114,619		
2017	94,482		

There figures were reviewed considering a new global methodology for scopes 1 and 2

## Water

**We are committed to the responsible use of water along the value chain. For this reason, we have set ambitious goals for the industrial plants in South America. One of them determines a 25% reduction in the water supplied for each ton of product manufactured until 2025, having 2016 as the base year for comparison.**

The initiatives adopted in the region already bring consistent results, since 2016 the consumption of water per ton produced has decreased by 18.7%.

In Guaratinguetá (SP, Brazil), the specific volume of water used from the Paraíba do Sul River fell by 84.2% in the period from 2002 to 2019; in Jacareí (SP, Brazil), 100% of the water rejected in the demineralization process due to the concentration of salts is reused in the factory, which is equivalent to about 21% of all the water used at the site; and in Santo Antônio da Posse (SP, Brazil), a rainwater collection system allows the resource to be reused for irrigation. In all, the storage capacity is 6 million liters of water, making it possible to reduce underground capture.

The *Incentivo ao Produtor de Água* (Water Producer Incentive) Program, implemented in Guaratinguetá (SP, Brazil), in conjunction with the municipal government and the *Espaço ECO Foundation* (FEE), established and maintained by BASF, increases the availability of water in the Ribeirão de Guaratinguetá Hydrographic basin. Through soil conservation practices and management, the restoration of riparian forests and the protection of remnants of native vegetation, the program encourages rural producers to take care of permanent protection areas on their properties. Eight years after the beginning of this environmental initiative, the Guaratinguetá Water Producer Program annually promotes a reduction of 3.4% in surface water runoff and 18.9% of soil erosion, according to a study performed by Espaço ECO Foundation (FEE).

In Chile, where 60% of the available water is used for industrial and agricultural purposes – we are applying water management tools and implementing measures to reduce water consumption in line with the global goal of sustainable water use in areas affected by water scarcity.

In Argentina, at the Santo Tomé unit, water flow meters were installed in the production process in order to intensify the control of environmental indicators, while at the polyurethane unit in Burzaco, rainwater is collected for irrigation.



Chemical Complex in Guaratinguetá (SP, Brazil)

The *Mata Viva* program, carried out in partnership with the *Espaço ECO Foundation*, aims to develop solutions to protect rivers and water bodies to benefit biodiversity in the Atlantic Forest biomes and contribute to the environmental conservation of agricultural properties, in order to increase the availability of water in water bodies.

## Results of the *Mata Viva* Program<sup>1</sup>

- Recovered more than 300 meters of riparian forest
- 132 hectares of green cover, predominantly covered by forests of different ages, an area that is equivalent to 185 football fields.
- More than 278 thousand seedlings of different species have been planted and 33,500 ton CO<sub>2</sub> removed from the atmosphere.

<sup>1</sup> Chemical Complex in Guaratinguetá (SP, Brazil) since 1984

### Water captured (total) (Brazil, millions of cubic meters/year)

Year	Value	Bar
2019	2,7	
2018	2,8	
2017	2,8	

The volume of water consumed takes into consideration the water that is taken from surface water sources (rivers), underground sources or the public network.

### Water used for cooling (total) (Brazil, millions of cubic meters/year)<sup>1</sup>

Year	Value	Bar
2019	128,0	
2018	134,2	
2017	144,5	

### Water used for production (total) (Brazil, millions of cubic meters/year)

Year	Value	Bar
2019	1,9	
2018	1,9	
2017	1,9	

### Emissions of organic substances in the water (Brazil, tons COD<sup>1</sup> per year)

Year	Value	Bar
2019	170	
2018	254	
2017	362	

<sup>1</sup> COD = Chemical Oxygen Demand

### Emissions of metals<sup>1</sup> in the water (Brazil, tons of metals per year)

Year	Value	Bar
2019	0,6	
2018	1,1	
2017	0,9	

<sup>1</sup> Metals = As, Cd, Cr, Cu, Hg, Ni, Pb, Zn

### Nitrogen emissions in the water (Brazil, tons of nitrogen per year)

Year	Value	Bar
2019	13	
2018	19	
2017	22	

## Waste recycling

Among the Waste Recycling projects is the program *Zero Aterro* (Zero Landfill), which seeks more sustainable alternatives for the disposal of solid waste. Implemented at the Industrial Complex for Paints and Varnishes in São Bernardo do Campo (SP, Brazil) and at the Jaboatão dos Guararapes plant (PE, Brazil), the alternatives developed have already prevented 7,886 tons of waste from being sent to industrial landfills (2015/2019).

In 2019, the Guaratinguetá unity (SP, Brazil) donated almost 500 tons of uncontaminated paper and cardboard waste to the *Amigos do Lixo* Cooperative. The plant's uncontaminated plastic waste, which totaled 154 tons, was donated to *Fazenda da Esperança*, which works on the rehabilitation of people who have drug addiction problems. Plastic is recycled and used in the manufacturing of plastic bottles, especially for the packaging of bleach solutions, sold in the region.

Another challenge for the industry is the **sustainable management of the plastic life cycle**. In this sense, to encourage sustainable habits in the corporate environment and reduce the volume of plastic waste, BASF started using a reusable cups in some of its units. According to a study carried out by *Espaço ECO Foundation* (FEE), the reusable polypropylene cup is the most eco-efficient solution, replacing around 2,268 disposable cups that an employee uses on average per year.

### Waste recycling rate (Brazil, %)

Year	Value	Bar
2019	83	
2018	82	
2017	77	

There was a correction in the 2017 value

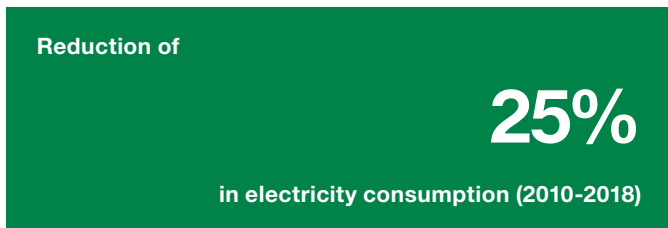


An event to implement the reusable of polypropylene cups (Brazil)

## Demarchi+Ecoeficiente

Since 2010, through the *Demarchi+Ecoefficient* program, we have applied the concept of eco-efficiency to measure and optimize the production processes of the Industrial Complex for Paints and Varnishes in São Bernardo do Campo (SP, Brazil). The initiative focuses on the continuous improvement and the implementation of increasingly sustainable management, with actions to encourage the practice of social and environmental values as well as the efficient use of resources by all employees.

The **Demarchi+Ecoeficiente** was publicized twice by the United Nations Environment Program (UNEP) as being one of the pioneering cases of Organizational Life Cycle Assessment in Brazil, being highlighted as one of the 12 best practices in the world.



## Health

The Global Health Campaign, held in all countries in South America, focused on the debate on mindful attention, also known as mindfulness, in order to achieve a better quality of life. The campaign promoted reflections on how the fast pace of life can make people stop paying attention to themselves. It was also shared with the community, just like it was done in schools close to our unit in Chile.

Our global health management serves to promote and maintain the health and productivity of our employees. Our worldwide standards of occupational health protection are specified in a policy implemented by a global network of specialists. We measure our performance in health protection using the Health Performance Index (HPI). HPI has five components: confirmed occupational diseases, emergency medical planning, first aid, preventive medicine, and health promotion.

Each component contributes with a maximum of 0.2 to the total score, which means that the highest possible score is 1.0. Our global goal is to reach a value that is greater than 0.9 each year. With an global HPI of 0.97, we reached the ambitious target again in 2019 (2018: 0.96).

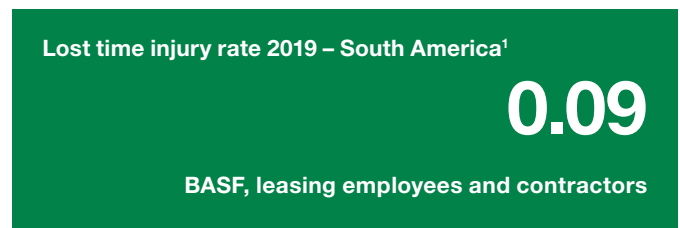
BASF health checks make up the basis of our global health promotion program and are offered to employees at regular intervals.

## Safety culture

For us, safety is a non-negotiable value. We are committed to the safety of our employees and contractors as well as of the communities where we operate.

In the field, the use of personal protective equipment (PPE) for rural workers is essential, since good agricultural practices reflect an increase in food production with more safety and quality. In 2019, we celebrated the 20-year anniversary of the PPE Program, in partnership with the company AZR. It guarantees maximum protection for those working in agriculture. In 20 years of activity, we have helped to sell more than 1.3 million safety kits and train more than 700 thousand people.

The **Contractor's Management Program**, developed in Guaratinguetá (SP, Brazil) and the Safety, Information, Management and Attitude (SIGA) program, collaborated towards a significant improvement in the behavior change of contractors. With the support and involvement of the leadership, review of the safety documents, management by performance indicators monitoring and constant dialogues, were carried out. As a result, the site had a 70% reduction in lost time accidents, involving contractors.



<sup>1</sup>The Lost Time Injury rate (LTI rate) is calculated using the sum of lost time accidents and fatalities involving BASF, leasing employees and contractors per 200,000 worked hours. For the 2019 LTI rate, nine lost time accidents, no fatality and 20.6 million worked hours were considered.



Global Safety Days brings together employees from the units throughout South America



**We generate value for society**

We conduct profitable business ventures that also contribute to social and environmental development.

# Sustainability in the value chain

## Suppliers

We develop and implement initiatives to encourage suppliers to promote sustainable practices. The **Together for Sustainability** (TfS) concept analyzes a supplier's sustainability performance against a set of assessment and audit criteria, tailored to the requirements of a large group of chemical industries. It is based on recognized best practices and protocols, such as the United Nations Global Compact and the Atuação Responsável® Program. The activities carried out included five audits and 64 evaluations in 2019.

The 11<sup>th</sup> edition of the **BASF Supplier Excellence Award** featured improvement of its concept, starting to recognize the best cases developed by the supplier together with BASF in the categories: sustainability, innovation and industry 4.0. Awarded companies: Sibelco Group (category innovation); Schütz Vasitex Indústria de Embalagens (category sustainability); Braskem (category industry 4.0)

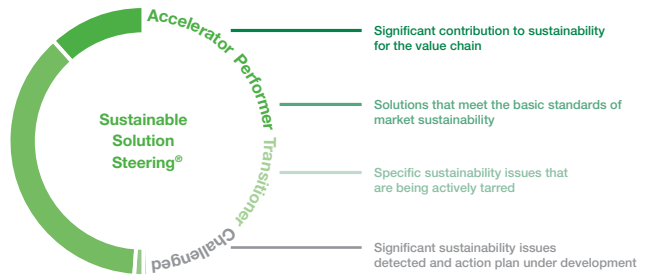
In order to promote diversity and inclusion in the entire value chain, we have a partnership with Integrare – Centro de Integrações de Negócios (Business Integration Center), which aims to connect small companies from minority groups to large institutions. One of the criteria for being part of Integrare is that the entrepreneur – who holds at least 50% of the business or is a majority shareholder – must either be black, disabled or indigenous, groups that historically have had no opportunities. In 2019, we have made purchases in the amount of € 3.2 million with 17 Brazilian companies registered with Integrare.



The event addresses diversity and sustainability in the value chain

## Sustainable portfolio

We evaluate our value chain from beginning to end, so that there is a balance between economy, environment and the needs of society. We analyze and categorize our solutions according to their sustainability performance when applied in the market. Having made these analyzes, we call the most advanced category of products Accelerators, which make a significant contribution to sustainability in the value chain. Therefore, we aim to reach globally € 22 billion in sales of these products by 2025 (2019: € 15 billion).



The products make a significant contribution to sustainability in the value chain

## Social engagement

Our social engagement strategy is based on two pillars: shared value, to contribute to socio-environmental development and, at the same time, to make profitable businesses; and corporate citizenship, in order to participate in the social development of the communities in which we operate. Focused on three areas of activity – scientific education, employability and environmental education and protection of natural resources and biodiversity – the strategy has already benefited 511 thousand people in South America between 2016 and 2019, with 218 thousand in 2019.





## Corporate citizenship

### Colombia

In partnership with other companies in Colombia, through **Fundación de Ciencia y Tecnología Colombo-Alemana (Funcycta)**, we promote productive and technological innovation in the country. Through partial grants, the foundation supports financially highlighted students in implementing innovation projects with training in German institutions, which allow them to produce healthy food.

At the end of 2018, the initiative sponsored 12 students for a six-month period in Germany, which allowed them to improve their skills, work in state-of-the-art facilities and receive cutting-edge training to return to Colombia with a differentiated education and projects ready for implementation.

Since 2012, BASF, in partnership with the Universidad de La Salle, has sponsored the *Utopía* project, which supports the education of young people in Colombia – coming from rural areas, who have been affected by violence and have economic limitations – training them for careers in the agricultural sector. The initiative finances and provides support to students to be ambassadors and multipliers of this program in their communities. At the end of their studies, the young people return to their home area to apply what they have learnt. Through this, ideas are transformed into reality, which has a real impact in different regions of the country.

BASF donations, sponsorship and own projects in South America\*

€ 2,529,800

\* Argentina, Brazil, Bolivia, Chile, Paraguay, Peru and Uruguay

We maintain a dialogue with the communities located around our two largest factories in South America, in Guaratinguetá (SP, Brazil) and São Bernardo do Campo (SP, Brazil). The Community Advisory Panels (CAP) aim to discuss matters of common interest related to the environment, health and safety. They are made up of BASF professionals and representatives of different segments of society, such as public bodies, neighborhood associations, nongovernmental organizations (NGOs), trade associations, schools and health clinics. Participating institutions can present projects focused on health, safety and the environment to support the company.

Through the *Conectar para Transformar* (Connect to Transform) open call, we support projects with social and environmental impact that contribute to the development of the cities where we are present. In 2019, 12 projects were sponsored by the company in the region: six in Brazil, three in Argentina and three in Chile.



**Projeto Corredor Ecológico (Ecological Corridor Project):** three thousand students benefited

The projects sponsored in the region are:

### Brazil – Guaratinguetá

#### **Programa de Mobilização Socioambiental – Corredor Ecológico**

– (Socio Environmental Mobilization Program) – Supported for the second consecutive year, its scope was expanded, benefiting 53 fourth grade classrooms from 24 public schools through the training of teachers to use the materials and methodologies developed within the program, reaching around three thousand students.

#### **Robótica Educacional 4.0 – Habilidades do profissional do século XXI – Associação Rever Juntos**

– (Educational Robotics 4.0: 21<sup>st</sup> century professional skills) – Develops skills for industry 4.0 and insertion in the labor market. 100 young people from the 1<sup>st</sup> year of high school and eight teachers directly benefited.

#### **Cientista Alfa e Beto - Instituto Alfa e Beto**

– (Scientist Alfa and Beto) – Consists of improving the teaching of science education for children from the 1<sup>st</sup> to the 5<sup>th</sup> year of public school. 240 teachers and 46 school managers were trained and accompanied in an innovative and complementary methodology to traditional teaching. 7,200 books from the *Leitura Collection* for Elementary Education were distributed as well as online access to the works, benefiting the 24 public schools and having an impact on 6,300 people.



7,200 books from the *Leitura Collection*



VIP Appers expanding the horizons of children and adolescents

### Brazil – São Bernardo do Campo

**Prêmio Energia nas Escolas – Instituto Akatu** – (Energy in Schools Award) – Raised awareness of more than 2,500 students and 304 educators from 32 schools in the municipal network for the conscious consumption of energy from different sources based on the contents and methodologies of *Edukatu* – a learning network developed by the Akatu Institute.

**Brincando ComCiências – Fundação Abrinq** – (Playing with Science) – Stimulated the teaching of science among 45 teachers and pedagogical coordinators and more than 1,800 children from eight public education schools (pre-school).

**Oficinas Gratuitas de Desenvolvimento de Games e Criação de Aplicativos – VIP Appers** – (Free Game Development and App Creation Workshops) – Created awareness for 1,196 children and adolescents to broaden their horizons towards digital entrepreneurship through lectures. In addition to providing technical training for 19 students in software/application development.

### Argentina – Malvinas Argentinas

**Laboratorio Ambiental para el Desarrollo Sostenible – Plantarse** (Environmental Laboratory for Sustainable Development) – The project includes a space for socio environmental training with an organic garden, greenhouse, composting and a community space for workshops and environmental awareness, with training in areas related to gardening and landscaping for 16 young people in situations of social vulnerability.

**Puentes Digitales – Fundación PROEM** (Digital Bridges) – It aims to facilitate the inclusion in the job market of 38 young people in situations of social vulnerability through training in digital information and communication tools (ICT).

**Projeto Dínamo – Programa de Mentoría – Libertate** (Dínamo Project – Mentoring Program) – Monitor the implementation and

promoting improvements in productive enterprises or services that generate autonomous and sustainable work for 36 people with disabilities. This is the second phase of the implemented project that started in 2018. Technical assistance involves monitoring by specialists in marketing, industrial engineering, design, occupational therapy, among others.

### Chile – Quinta Normal

**Creando Ciclos – Nazca** (Creating Cycles) – With the creation of a community compost in a clean spot, the population became aware value of organic waste for the generation of a natural fertilizer used to benefit the municipal and neighborhood nurseries involved. The objective is for the community to realize the importance of organic waste separation for the reduction of waste that reaches landfills and that can be transformed into a new product.

### Chile – Quintero

**Cool Plastic – The Waves Company** – Performed the management and recovery of plastic waste through four beach cleaning actions, associated with four surf sports activities, seven lectures on environmental education and the purchase of three pieces of equipment, which will be used as the main tools for recycling plastic. The products developed are marketed by local entrepreneurs. The Cool Plastic project benefited almost 15,000 people directly or indirectly, through the cleaning of three beaches, involving more than 200 volunteers throughout 2019.

**THINKey SCHOOL – THINKey SPA** – Implemented in three schools – through digital rights management software – with a focus on improving science education. It made it possible for teachers and students between the first and the sixth year to acquire educational science practice kits and gave them access to the THINKey School platform.

## Shared value

We conduct profitable business that, at the same time, contributes to socio environmental development. In 2019, we participated from the Dom Cabral Foundation's Center for Intrapreneurship (FDC), together with six other companies, with the aim of promoting an entrepreneurial culture among our employees to positively impact society.

### Check out some of the shared value projects:

The **Espacio Inclusivo** (Inclusive Space) is held by BASF in partnership with customers and professional training centers. The project started in Chile and was expanded to Uruguay and Argentina. The objective is to offer quality training to young people with limited economic resources in South America, through technical and practical training to develop skills in the automotive refinishing sector. In 2019 training for people with hearing loss was performed, and their graduation will take place in 2020.

The **Sumotech Project** was started to support the development of sustainable agriculture in the small farmer communities of Pasca in

Cundinamarca (Colombia). The objective is to transfer knowledge so that the use of technology and innovation can reach more productive crop and deliver quality products to consumers, generating a positive impact and improving the well-being and living standards of the families. With the project, farmers in the communities can avoid intermediation and be more profitable in their crops. The project has impacted about 500 families.

Since 2016, BASF has carried out the **Allin Kawsay** project in the Huánuco region, in the Yarowilca, Ambo, Huánuco and Pachitea provinces, in Peru. The project's actions are focused on increasing the productivity and profitability of potato cultivation and training in good agricultural practices.

Since the beginning of the project, more than nine thousand farmers have participated in this action.

As part of Allin Kawsay, it was developed the program Limpiando el Campo, which promotes the cleaning of agricultural fields since 2017. Working together with the Andean communities of Huánuco, we were able to collect more than 50,000 plastic containers from the cultivation belonging to different companies, among them were empty bottles and drums of plant protection products. For this, we installed more than 36 collection points in the most remote communities of Huánuco. The collected material is transferred to the processing plant, where plastic and metal are selected for recycling, while those that cannot be recycled are disposed of in a high security landfill located in Callao. In 2019, we collected more than 28 thousand plastic packaging containers.

The **Algodón Fibras del Corazón** project, implemented in Colombia, is a social business model that seeks to transfer technology to small cotton producers and improve their quality of life by increasing their income and using better technology in their crops. The project benefits 200 farmers and their families, generating sustainable savings for around 1,000 people.

In 2019, we launched **reciChain**, a blockchain platform for recycling waste. The platform allows for information sharing among network participants (manufacturers, suppliers, government entities, retailers, garbage collectors and recyclers) and improves the recycling process. It also allows to tokenize\* the plastic and therefore generates a fairer distribution of added value along the chain for the participants. This particularly benefits the waste collectors' cooperatives. Another advantage of the platform is the issuance of safer recycling certificates by recyclers.

\*security feature used to protect sensitive data, such as financial transactions

## Diversity and inclusion

For us, valuing diversity is essential for people, society and business, since the sum of different talents, characteristics and singularities drives creativity and innovation and in turn makes us more competitive and generates positive impacts on the communities in which we operate. For this reason, we work internally but also as external influencers, from the selection processes, through to talent development and retention programs, to our value chain, whose partners are informed about the company's diversity and inclusion policies and are also encouraged to expand their efforts towards valuing differences.

Structured governance contributes significantly to the diversity initiatives which are transversal across the company. For this reason, the company has an area that is dedicated to the subject, which is responsible for strategic direction, and actions that contribute to keeping the culture of diversity and inclusion alive. In addition to this, in Brazil, four affinity groups operate based on these guidelines: Be Yourself @ BASF (BYOU), focused on sexual diversity; Women in Business (WIB), focused on gender equality; the Black Inclusion Group (BIG), which leads dialogue for equality; and Be Different, which promotes the inclusion of people with disabilities (PwD).

We also maintain affinity groups in other countries, such as in Chile, with BYOU, WIB, Be Different, in addition to Generaciones and Imigrantes, considering the diversity of each location. In Argentina, with the WIB and in Colombia and Ecuador, with the WIB, BYOU, Be Different, Minorities (people of color, indigenous, immigrants) as well as a diversity committee.



Proud to be who I am at BASF

Among the main initiatives promoted by the groups are: research, project development, people engagement, communication, holding events, sharing good practices and contributing to improving the results of the initiatives.

In 2019, we expanded the theme into the factories, promoting the Diversity Circuit, held at the units in Camaçari (BA, Brazil), Guaratinguetá (SP, Brazil), Jaboatão dos Guararapes (PE, Brazil), Demarchi (São Bernardo do Campo, SP, Brazil) and Indaiatuba (SP, Brazil). Employees were encouraged to participate in activities and understand that diversity is a value for the company.

Inclusive leadership is a priority for us. Therefore, in partnership with affinity groups, we developed an e-book on diversity with guidelines to be used by leaders and teams when interviewing candidates. The initiative is part of a set of actions and policies to foster an increasingly inclusive culture. Called “Various Talents”, the guide brings together recommendations to be used during the interviews with candidates who are applying for vacancies in the company, presenting concepts of how to behave in different circumstances and make the selection process welcoming for everyone.

In addition to this, we implemented a Diverse Panel to all selection processes. The objective is to present relevant counterpoints for a bias-free selection: in the candidate interviews, in addition to the person responsible for the vacancy, 50% of interviewees must represent one of the diversity snapshots: groups of gender, race, ethnicity, nationality, sexual orientation or disability.

## Espaço ECO Foundation (FEE)

Created and maintained by BASF since 2005, the *Espaço ECO Foundation* (FEE) is a civil society organization of public interest (OSCIP) that acts as a consultancy for sustainability. It develops customized projects for organizations to measure and understand the environmental, social and economic impacts of their products and processes – based on Life Cycle thinking.

Through unique methodologies, FEE diagnoses, measures and co-creates solutions that transform sustainability into concrete indicators, materializing the benefits it brings to business, in order to support managers in their strategic decisions and to make citizens aware of their choices.

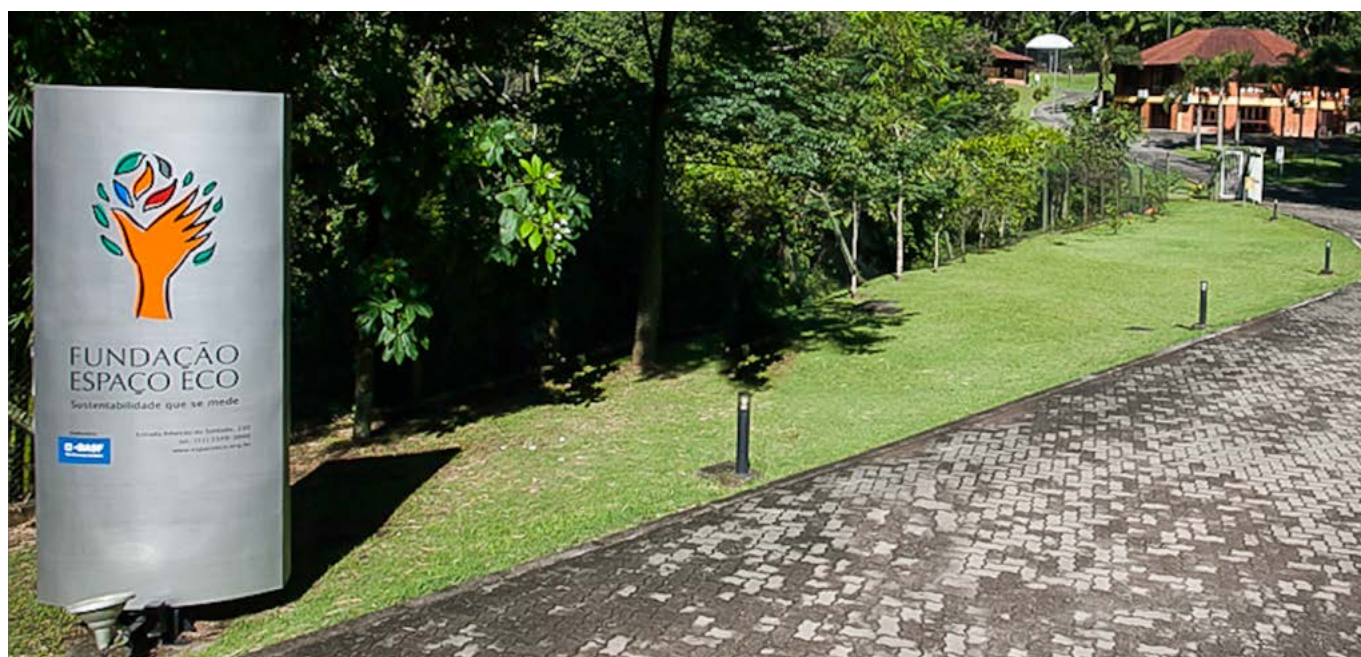
[Access the Fundação Espaço Eco Activity Report and learn more about how it promotes sustainable development in the business environment and in society.](#)

### Regional partnerships

We have supported and participated in the United Nations Global Compact since 2000. For BASF, responsible business conduct is a prerequisite to achieving the Sustainable Development Goals (SDG). Our products, solutions and technologies contribute to achieving the Goals, for example, through sustainable consumption and production, climate actions or fighting hunger.

In 2019, we actively participated in the construction of the Global Compact’s 2030 Strategy, which defines the objectives and goals that should be the focus for the next decade, considering the business’ contributions to achieve the Sustainable Development Goals.

We also actively participate in the **National Institute for the Processing of Empty Packaging (inpEV)**, a non-profit entity created in 2001 with the objective of promoting the correct disposal and reuse of empty packaging.





## Our people

We have the best team, which develops smart solutions for our customers and for a sustainable future.

# Employees

## Our people

Empowering our employees and supporting their growth is part of our strategy. Therefore, we train and develop the people who build their careers together with us. We want them to feel that, at BASF, they can prosper and perform at their best. After all, people are responsible for our success.

We experience connectivity daily. For us, connection means good relationships: between us and our clients and partners. This is reflected in multi-disciplinary and global projects and client events, through our social commitment and other initiatives, where the focus is on the association of individuals and knowledge in order to solve global issues and give rise to a sustainable future for all of us. We call this “The power of connected minds”.

The strength of our connection inspires and encourages our employees to develop themselves, to be prepared and to generate differentials in their offers to the customers, with speed and agility.

As a tool to support this process, we invest in digitizing business and securing the resources needed to promote comprehensive digital skills among our future leaders and our entire workforce.

This set of actions of our leaders and employees resulted in important recognitions in 2019.

### People management awards

#### Brazil

- Você S/A's Best Companies to Work for: Second place in the chemical and petrochemical sector and among the best to start your career
- WEPS (Women's Empowerment Principles): bronze category in gender equity
- 50 most loved companies in Brazil (Love Mondays): 24<sup>th</sup> place

#### Colômbia

- EFY (Employers For Youth Colombia): 17<sup>th</sup> place in the national ranking



Recognition of our gender equality policy

<sup>1</sup> In June 2019, the South America region was reorganized into three regions: Brazil, Country Cluster Northwest and Country Cluster South. The financial data and number of employees from then on started to be presented with this new distribution.

## Demographic details

### Total number of employees per Country Cluster<sup>1</sup>

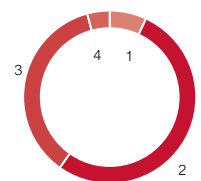
2019	Brazil	4,155		69.7%
	Total South <sup>2</sup>	1,144		19.2%
	5,957 Northwest <sup>3</sup>	658		11.1%
2018	Brazil	4,239		68.6%
	Total South	1,268		20.5%
	6,180 Northwest	673		10.9%

<sup>2</sup> Country Cluster South - Argentina, Bolivia, Paraguay and Uruguay

<sup>3</sup> Country Cluster Northwest - Chile, Peru, Colombia, Venezuela, Equador and Guianas

### Employees by age (Brazil)

1	Up to 25 years	5.8%
2	From 26 to 39 years of age	53.8%
3	From 40 to 54 years of age	35.8%
4	55 years and older	4.6%



Women employed in South America

30.4%

Women in leadership roles in South America<sup>1</sup>

31.3%

<sup>1</sup> It includes all BASF companies rated A and managers, directors and vice presidents.

## Attraction, retention, and development

Attracting, retention and developing the best talent is essential to our success. The 2019 **Trainee Program** had more than 15,000 applications for 18 vacancies, 15 of which were to work in São Paulo and three to work in other South American countries.

The **Equilibre** program contributes to the sustainable balance between the needs of a highly competitive professional environment and its management facing the responsibilities of their personal life. It also benefits the environment, as our employees reduce their commuting and this consequently reduces the emission of pollutants. The program provides, for example, a flexible work regime twice a week, through the possibility of working from home (home office). This results in greater involvement, leading to the retention of leading professionals and attracting new talent.



The **Engineers of the Future** project seeks to valorize young engineering graduates in Brazil, so that they can occupy engineering positions at the Camaçari (BA, Brazil) and Guaratinguetá (SP, Brazil) units. In addition, to improve the employee experience and foster a culture of continuous learning, we launched the Go2Learn platform – the tool allows employees to have access to various content, as well as the training portfolio offered, thus reinforcing their role and self-development.

The **Operator Training Center**, located in Guaratinguetá (SP, Brazil) was inaugurated in 2019. It is aimed at qualifying operators and training new professionals, it is also open to employees from other areas. It focuses on the development of skills that go beyond traditional classrooms, which enables learning through practice.

Since the inauguration, approximately 15% of the unit operators have participated in training.

Through the FEEDback&forward tool, we have maintained, for a fourth consecutive year, the strengthening of the feedback culture, allowing employees to voice their perceptions about their leaders and be able to maintain open and constructive dialogue.

In Colombia, a modern and competitive benefits project has been implemented, which seeks to achieve high emotional commitment among employees: **Beneficios a la carta** (A la carte Benefits). This program unites diversity, attraction and retention of talent, it allows employees to select from a menu of options and benefits that best meet their needs. The initiative includes options such as:

monetary assistance for services such as prepaid medication, gym, balanced diet, technology purchase, vacation, doctor's office and medical staff, check-up, among others. In addition, it includes wellness activities that respond to the personal interests of employees, creating spaces for entertainment and emotional connection with the company.

## Volunteering

The volunteer commissions aim to encourage the support of employees for social causes in the communities where we are present. Altogether, in South America, in 2019, 17 commissions were active in the following places: Argentina – Republica, Tortuguitas, General Lagos; Brazil – Camaçari, Demarchi, Guaratinguetá, Indaiatuba, Jaboatão dos Guararapes, Jacareí, Morumbi and Santo Antônio de Posse; Colômbia – La Calera; Chile – Concón, Carrascal and Pudahuel; Peru – Lima and Callao. In 2019, 47 volunteer actions were carried out, involving 32 institutions in South America.

To celebrate **International Volunteer Day**, we promoted an action that removed 36 tons of garbage from the environment. In total, 10 cities located in Brazil and Argentina carried out actions to clean public spaces and remove waste that was improperly disposed of in the environment. In Chile, the products produced from the waste which was removed from the beaches in 2019 were delivered to entrepreneurs in the community for commercialization. In Peru, environmental education activities took place with a focus on the proper disposal of waste in and around a social institution.



International Volunteer Day

## Acknowledgements

Our focus on sustainability and our initiatives have brought us recognition from our customers and society, reinforcing our position as market leaders. We received 37 awards, such as the being most sustainable company of the year in Brazil, by the Exame Sustainability Guide. Chemical recycling (a process that reintroduces plastic into the value chain) represented an important transformation in our business model and contributed to this recognition. Initiatives that promote the circular economy, reduction of emissions, a sustainable portfolio, education in agribusiness and diversity in the company also set us apart to achieve this recognition.



Our Compliance managers received an award from the Exame Compliance Guide, reaching first place among companies in the chemical segment. This list is made up by 298 companies, 39 of which have been given an award due to their best control and compliance practices in the Brazilian market, in 13 different segments.



First place achieved in the chemical sector according to the Exame Compliance Guide

We were also highlighted in other countries in the region as being one of the 20 most innovative companies, with the GfK award (Chile); solid waste management at the Latinoamérica Verde award (Colombia) and relationship with the community and social impact by the government of Buenos Aires (Argentina). In Peru, we were recognized by the telecommunications company Claro for collaborating in a program that promotes the responsible disposal of electronic devices (cell phones, batteries, chargers, routers, etc.). The "Recicla 2019" award is yet another reflection of our commitment to protecting the planet.

### Argentina

- **Ceads:** contribution to Sustainable Development Goal (SDG) 8 and 12
- **Gobierno de Provincia de Buenos Aires** – Relationship with the community and social impact projects

### Brazil

- **Guia Exame de Sustentabilidade:** sustainable company of the year, 1<sup>st</sup> in the chemical sector, benchmark in supplier management
- **Guia Exame de Compliance:** 1<sup>st</sup> in the chemical sector

- **Melhores da Dinheiro magazine:** 2<sup>nd</sup> place in the chemical and petrochemical sector
- **Executivo de Valor business newspaper:** best executive in the chemical & petrochemical category
- **Estadão Empresas Mais newspaper:** one of the top three in the chemical & petrochemical sector
- **Guia Exame de Diversidade magazine:** among the top five chemical companies that promote inclusion of women, black people, people with disabilities and LGBTI+
- **Valor Inovação newspaper:** 27<sup>th</sup> place in 150 most innovative companies
- **AB | Inovação e Transformação Digital content platform:** winner in innovation and digital transformation good practices in the automotive sector
- **Reclame Aqui:** the best companies to consumers (Suviniil)
- **AB | Diversity:** winner in good practices category
- **Melhores Empresas para Trabalhar da Você S/A:** 2<sup>st</sup> place in the chemical and petrochemical sector
- **Época NEGÓCIOS 360°:** 2<sup>nd</sup> place in the chemical and petrochemical sector
- **Valor 1000:** 72<sup>nd</sup> place in 1000 companies ranking
- **Forbes:** 10 most innovative companies of Brazil list
- **Melhores para Começar a Carreira:** 22<sup>nd</sup> position among 45 companies
- **Love Mondays:** 24<sup>th</sup> place among the companies best rated by employees
- **Mercedes-Benz:** environmental responsibility
- **Braskem:** grade A as additives for plastics supplier - climate and water management categories
- **FCA:** Annual Supplier Conference & Awards 2019: winner in sustainability category for Mata Viva Project, social engagement strategy and sustainability governance
- **E-Consulting Corp:** among the five companies in the agro, chemical and petrochemical sector for digital transformation
- **CNI Inovação:** 1<sup>st</sup> place in innovation management
- **Fiesp Mérito Ambiental:** honorable mention in environmental and social responsibility category for social engagement strategy
- **Whow – Ranking 100 Open Startups:** 35<sup>th</sup> place in top 50 open corporations for digital transformation Initiatives
- **WEPS (Women's Empowerment Principles):** promotion of gender equity – bronze category
- **REI:** 2<sup>nd</sup> place in Innovation in management

### Chile

- **Camchal AHK:** recognition for recycling project
- **GfK – Best Place to Innovate:** one of the 20 most innovative companies
- **Generacion Empresarial:** Ethics and compliance
- **ASIQUIM:** Responsible Care – sustainable company category

### Colombia

- **Gerente Magazine:** 100 managers of the year
- **Latinoamérica Verde:** 13<sup>th</sup> place in solid waste management category
- **EFY (Employers For Youth Colombia):** 17<sup>th</sup> place in the national ranking
- **ANDI:** 1<sup>st</sup> in the ranking companies with patents
- **Sura:** winner in the excellence category

### Ecuador

- **AHK:** one of the companies that promote innovation

### Peru

- **Prêmio Recicla 2019:** recognition for participation

### Uruguay

- **Ranking MERCOSUR** – Chemical Company with the best reputation



# Ten-year-summary – BASF Global

Million €

	2010	2011	2012 <sup>1</sup>	2013 <sup>2</sup>	2014	2015	2016	2017 <sup>3</sup>	2018	2019
<b>Sales and earnings</b>										
Sales	63,873	73,497	72,129	73,973	74,326	70,449	57,550	61,223 <sup>1</sup>	60,220 <sup>4</sup>	59,316
Income from operations (EBIT)	7,761	8,586	6,742	7,160	7,626	6,248	6,275	7,587 <sup>1</sup>	5,974 <sup>4</sup>	4,052
Income before income taxes	7,373	8,970	5,977	6,600	7,203	5,548	5,395	6,882 <sup>1</sup>	5,233 <sup>4</sup>	3,302
Income after taxes from continuing operations	–	–	–	–	–	–	–	5,592	4,116 <sup>4</sup>	2,546
Income after taxes from discontinued operations	–	–	–	–	–	–	–	760	863 <sup>4</sup>	5,945
Income after taxes	5,074	6,603	5,067	5,113	5,492	4,301	4,255	6,352	4,979	8,491
Net income	4,557	6,188	4,819	4,792	5,155	3,987	4,056	6,078	4,707	8,421
Income from operations before depreciation and amortization (EBITDA)	11,131	11,993	10,009	10,432	11,043	10,649	10,526	10,765 <sup>1</sup>	8,970 <sup>4</sup>	8,036
EBIT before special items	8,138	8,447	6,647	7,077	7,357	6,739	6,309	7,645 <sup>1</sup>	6,281 <sup>4</sup>	4,536
<b>Capital expenditures, depreciation and amortization</b>										
Additions to property, plant and equipment and intangible assets	5,304	3,646	5,263	7,726	7,285	6,013	7,258	4,364	10,735	4,097
of which property, plant and equipment	3,294	3,199	4,084	6,428	6,369	5,742	4,377	4,028	5,040	3,842
Depreciation and amortization of property, plant and equipment and intangible assets	3,370	3,407	3,267	3,272	3,417	4,401	4,251	4,202	3,750 <sup>4</sup>	4,146
of which property, plant and equipment	2,667	2,618	2,594	2,631	2,770	3,600	3,691	3,586	3,155 <sup>4</sup>	3,408
<b>Number of employees</b>										
At year-end	109,140	111,141	110,782	112,206	113,292	112,435	113,830	115,490	122,404	117,628
Annual average	104,043	110,403	109,969	111,844	112,644	113,249	111,975	114,333	118,371	119,200
<b>Personnel expenses</b>										
	<b>8,228</b>	<b>8,576</b>	<b>8,963</b>	<b>9,285</b>	<b>9,224</b>	<b>9,982</b>	<b>10,165</b>	<b>10,610</b>	<b>10,659</b>	<b>10,924</b>
<b>Research and development expenses</b>										
	<b>1,492</b>	<b>1,605</b>	<b>1,732</b>	<b>1,849</b>	<b>1,884</b>	<b>1,953</b>	<b>1,863</b>	<b>1,843<sup>1</sup></b>	<b>1,994<sup>4</sup></b>	<b>2,158</b>
<b>Key data</b>										
Earnings per share	€ 4.96	6.74	5.25	5.22	5.61	4.34	4.42	6.62	5.12	9.17
Adjusted earnings per share	€ 5.73	6.26	5.64	5.31	5.44	5.00	4.83	6.44	5.87	4.00
Cash flows from operating activities	6,460	7,105	6,602	8,100	6,958	9,446	7,717	8,785	7,939	7,474
EBITDA margin	% 17.4	16.3	13.9	14.1	14.9	15.1	18.3	17.6 <sup>1</sup>	14.9 <sup>4</sup>	13.5
Return on assets	% 14.7	16.1	11.0	11.5	11.7	8.7	8.2	9.5 <sup>1</sup>	7.1	4.5
Return on equity after tax	% 24.6	27.5	19.9	19.2	19.7	14.4	13.3	18.9	14.1	21.6
Return on capital employed (ROCE)	% –	–	–	–	–	–	–	15.4	12.0 <sup>4</sup>	7.7
<b>Appropriation of profits</b>										
Net income of BASF SE <sup>4</sup>	3,737	3,506	2,880	2,826	5,853	2,158	2,808	3,130	2,982	3,899
Dividend	2,021	2,296	2,388	2,480	2,572	2,664	2,755	2,847	2,939	3,030
Dividend per share	€ 2.20	2.50	2.60	2.70	2.80	2.90	3.00	3.10	3.20	3.30
<b>Number of shares as of December 31</b>	<b>million</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>

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

<sup>2</sup> Figures for 2013 have been adjusted to reflect the dissolution of the natural gas trading business disposal group. For more information, see the Consolidated Financial Statements at [basf.com/report](http://basf.com/report).

<sup>3</sup> Figures for 2017 were restated with the presentation of the oil and gas activities as discontinued operations. For more information, see the Consolidated Financial Statements at [basf.com/report](http://basf.com/report).

<sup>4</sup> Figures for 2018 were restated with the presentation of the construction chemicals activities as discontinued operations. For more information, see the Consolidated Financial Statements at [basf.com/report](http://basf.com/report).

## Further information

### Contact in South America

#### Contact

##### HEADQUARTERS

##### **BASF S.A.**

Avenida das Nações Unidas, 14171,  
Morumbi, São Paulo, SP – Brasil  
tel. 55 11 2039 2273 – fax 55 11 2039 2505  
SAC Tintas Imobiliárias 0800 0117558  
Produtos para Agricultura 0800 0192500  
Serviço de Atendimento a Emergências 0800 0112273  
basf.com.br

##### **BASF Argentina S.A.**

Tucuman 1, Piso 18 – C1049AAA, Buenos Aires – Argentina  
tel. 54 11 4317 9600  
basf.com.ar

##### **BASF Bolivia S.R.L.**

Avenida San Martín, 1800, Piso 4, Edificio Tacuaral,  
Barrio Equipetrol, Santa Cruz de La Sierra – Bolivia  
tel. 591 3 3141080 – fax 591 3 3141081

##### **BASF Chile S.A.**

Avenida Carrascal, 3851,  
Santiago de Chile – Chile  
tel. 56 2 640 7000 – fax 56 2 775 3095  
basf.cl

##### **BASF Ecuatoriana S.A.**

Avenida Naciones Unidas, 1014 y Amazonas  
Edificio La Previsora Torre A, Piso 2, Oficina 201,  
Quito – Ecuador  
tel. 59 32 397 9500 – fax 59 32 397 9592  
basf.com.ec

##### **BASF Paraguaya S.A.**

Estados Unidos, 415, Piso 5°, San Roque,  
Casilla 3064, Asunción – Paraguay.  
tel. 59 5 21 49 8401 – fax 59 7 1720178

##### **BASF Peruana S.A.**

Avenida Oscar R. Benavides, 5915, Callao, Lima – Perú  
tel. 51 1 5132500 – fax 51 1 5132518  
basf.com.pe

##### **BASF Química Colombiana S.A.**

Calle 99 n° 69C 32, Bogotá – Colombia  
tel. 57 1 632 2260 – fax 57 1 634 2050  
basf.com.co

##### **BASF Uruguay S.A.**

Luis Alberto Herrera, 1284,  
World Trade Center, Torre A, Of. 801,  
Montevideo – Uruguay  
tel. 59 82 6281818

##### **BASF Venezolana S.A.**

Avenida Principal de Macaracuay, Multicentro de Macaracuay,  
Piso 10, Oficina 10, Macaracuay, 1073,  
Caracas – Venezuela  
tel. 58 212 256 0011 – fax 58 212 256 3379  
basf.com.ve

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## Credits

### Corporate Affairs

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#### Project Coordination

Corporate Affairs Director and Corporate Communications Management – BASF South America  
Cristiana Brito – Director Corporate Affairs and Sustainability  
Priscilla de Caíres Mendes – Senior Corporate Communication Manager  
Gustavo Nunes Braatz – Corporate Communication Coordinator

#### Editing

Fabiana Nunes – Corporate Communications  
Ornella Nitardi – Corporate Affairs and Sustainability  
Caroline de Lima Santos – Sustainability

#### External Partners

Fábio Francisco – Layout  
Global Conteúdo Estratégico – Consulting, content  
Traduzca – Translation

#### Photography

Archive BASF  
Amanajé Photography  
Claudio Belli

### More information

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### Contact

#### Corporate Communications

Fabiana Nunes  
[fabiana.nunes@basf.com](mailto:fabiana.nunes@basf.com) | Phone: +55 11 2349 1936

#### Sustainability

Caroline de Lima Santos  
[caroline.delima@basf.com](mailto:caroline.delima@basf.com) | Phone: +55 11 2039 3795



BASF supports the chemical industry's global Responsible Care initiative.