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FORCED LABOUR AND CHILD LABOUR IN CANADIAN SUPPLY CHAINS REPORT FOR THE 2023 FINANCIAL YEAR

Introduction

This Report is submitted on behalf of BASF Canada Inc. (“**BASF Canada**”). BASF Canada, as part of the BASF group of companies (collectively, “**BASF**”), is committed to the abolition of forced labour and child labour. This Report sets out the steps BASF Canada and BASF globally have taken during their 2023 financial year to monitor and prevent forced labour and child labour in its operations and supply chains. For more information on BASF’s commitment to respect internationally accepted human rights, please refer to our 2023 report [here](#).

This Report is made in accordance with Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”).

1. BASF’s structure, activities and supply chains

BASF has companies in more than 90 countries and supplies products to customers in nearly every part of the world. The BASF portfolio is arranged into 11 divisions grouped into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition and Care, and Agricultural Solutions. BASF generated sales of approximately €68.9 billion in 2023 and employed approximately 112,000 employees as of the end of the year.

As of the end of 2023, BASF Canada had approximately 1,100 employees and operated in ten major production facilities and offices across its agricultural solutions, performance materials, coatings, and petrochemicals operating divisions. Amongst its activities, BASF Canada formulates and manufactures crop protection and agricultural products, seed breeding technology, digital farming solutions, polyurethane systems used in insulating and non-insulating applications, and both water-borne and solvent-based automotive paints and coatings. In addition, BASF Canada purchases and sells products produced by other BASF entities outside Canada. BASF Canada commenced operations in Canada in 1954 (under a different company name). Further information is available at www.basf.com/ca.

BASF’s supply chains extend beyond Canada to countries in North and South America, Europe, Africa, Asia, and Australia.

As part of the BASF group of companies, BASF Canada is integrated, relies on and follows policies and procedures from BASF. BASF SE is the publicly listed parent company of the BASF group of companies, including BASF Canada.



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2. BASF's policies and its due diligence processes in relation to forced labour and child labour

As the world's leading chemical company, BASF combines economic success with environmental protection and social responsibility. This is reflected in BASF's corporate purpose: "We create chemistry for a sustainable future." We live our corporate purpose by:

- Sourcing and producing responsibly.
- Acting as a fair and reliable partner.
- Connecting creative minds to find the best solutions for market needs.

BASF stands firmly against any form of forced labour and child labour. BASF will not condone or tolerate any type of such conduct by its employees, suppliers, vendors, or other stakeholders.

BASF's due diligence processes for identifying and mitigating the risk of forced labour and child labour in its supply chains includes, but is not limited to, the following:

- Embedding principles relating to the abolition of forced labour and child labour throughout BASF's policies and management systems.
- Conducting risk analyses of suppliers to identify, evaluate, and prioritize risks.
- Implementing prevention measures through compliance checks, contractual measures, and supplier evaluations.
- Taking remedial action to address violations of BASF's policies against forced labour and child labour.

3. The parts of BASF's business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk

3.1. Risks

BASF recognizes that with broad supply chains, there is a risk of the supply chains being linked to human rights violations, including forced labour and child labour, mainly through operators deeper in our supply chains. BASF's supply chains extend beyond Canada.

BASF conducts group-wide supply chain mapping and risk assessments on direct suppliers as well as suppliers deeper in critical supply chains in order to identify and evaluate human rights risks, including forced labour and child labour. Through our risk analyses, BASF has identified the risk level for each country in which our direct suppliers and suppliers deeper in critical supply chains operate, as well as the specific risk industries that exist within our supply chain.



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3.2. Steps to Address Risks

3.2.1. Values and Codes of Conduct

BASF's Global Code of Conduct firmly embeds the importance of compliance with laws and ethical business practices.

BASF acts in accordance with clearly defined values and standards of conduct that comply with or go beyond laws and regulations and take internationally recognized principles into account. BASF commits to internationally agreed-upon standards such as:

- The 10 principles of the UN Global Compact
- The UN Universal Declaration of Human Rights and the two UN human rights covenants
- The International Labour Organization's ("ILO") core labour standards and its Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration)
- The OECD Guidelines for Multinational Enterprises
- The UN Guiding Principles on Business and Human Rights
- The Responsible Care Global Charter of the chemical industry

BASF requires that its suppliers, contractors and vendors comply with all applicable laws, including those relating to labour practices, forced labour, and child labour. Accordingly, BASF's Supplier Code of Conduct reflects the expectation that suppliers fight forced labour and child labour by agreeing to, amongst other things:

- Not directly or indirectly use forced labour or child labour of any kind, or inputs produced using such labour.
- Ensure employees are able to freely associate and report concerns of unlawful practices.
- Ensure compliance with applicable laws, including minimum wage and working hours.
- Not supply products that contain conflict minerals which directly or indirectly finance or benefit armed groups and cause human rights issues.

If BASF becomes aware of credible information about any form of forced labour or child labour by its suppliers or vendors, it will conduct a thorough investigation and, if appropriate, take corrective measures.

3.2.2. International Labour and Social Standards ("ILSS")

As set out in our Global Code of Conduct, BASF made the decision to pursue sustainable value creation, which means striving to positively contribute to the protection and promotion of ILSS and people's well-being, including the prohibition of forced labour and child labour. This encompasses internationally recognized labour norms as stipulated in the United Nations Universal Declaration of Human Rights, the OECD MNE Guidelines, and the Tripartite Declaration of Principles Concerning



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MNE, and Social Policy of the ILO. BASF strictly aims to avoid causing or contributing to adverse human rights impacts in its own operations and, moreover, seeks to ensure that the conduct of all its employees is consistent with internationally agreed upon standards of human rights as well as ILSS.

The global BASF guideline on compliance with ILSS also specifies that ILSS must be considered and applied when working with temporary employees, temporary employment agencies, and freelancers. Embedded in BASF's Supplier Code of Conduct is the Commitment Letter on ILSS, which reflects, amongst other things, BASF's expectation on third parties to commit to respecting ILSS, including no forced labour or child labour.

As part of BASF's central due diligence system, BASF regularly follows up on and documents the results of comparison between national laws and BASF's guidelines, enabling BASF to systematically assess actual or potential gaps with respect to local laws and political or cultural backgrounds in all countries in which BASF operates. Compliance with ILSS is part of BASF's compliance management audits conducted by BASF's Corporate Audit department. Individual elements of the ILSS guidelines are also reviewed as part of internal control processes such as Responsible Care audits in BASF group companies.

3.2.3. Supplier Selection and Together for Sustainability ("TfS")

Both new and existing suppliers are selected and evaluated beyond economic criteria. BASF looks closely at environmental protection, compliance with human rights, labour and social standards and anti-corruption policies. BASF's requirements are defined in its Supplier Code of Conduct.

BASF is a founding member of the TfS initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. With the help of TfS, BASF advances sustainability in the supply chain. Using TfS evaluations, BASF pursues a risk-oriented approach with clearly defined, company-specific follow-up processes. BASF drives these processes through a sustainability IT tool. Suppliers with an elevated sustainability risk – such as forced labour or child labour – are identified using risk matrices. Furthermore, BASF's procurement staff are required to indicate the suppliers for whom they see a potentially elevated sustainability risk. BASF additionally checks various information sources to see if any suppliers have been mentioned in connection with negative sustainability incidents.

If suppliers have any concerns about illegal or improper conduct, they can report this to the BASF Compliance Hotline.

3.2.4. Human Rights Risk Management

Acting on our responsibility for respecting human rights, BASF relies on a systematic, integrated risk-based approach and established monitoring and management systems. As we regard human rights due diligence as a continuous task, we review our due diligence mechanisms regularly and upgrade them where required. BASF's Chief Human Rights Officer oversees BASF's human rights risk management and reports directly to the Board of Directors. In order to systematically integrate external expertise,



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BASF established a Human Rights Advisory Council of independent and international human rights experts to advise BASF on complex human rights issues and challenges arising in its own operations and its value chains worldwide.

3.2.5. Complaint Mechanism and Compliance Hotline

For any concerns about forced labour, child labour, and all other topics covered by our Code of Conduct, employees are encouraged to consult their managers or the Legal & Compliance department.

BASF also has a Global Compliance Hotline, which is provided by an external provider. The Compliance Hotline allows concerns of any suspected or actual violation of any law or BASF policy to be reported via online forms or phone in over 80 countries, including Canada. Employees can choose to contact the Compliance Hotline anonymously. The Compliance Hotline can also be used by third parties such as business partners or other stakeholders to raise concerns. For Canada, reports can be made in either English or French. No person who in good faith reports suspected non-compliance with legal or ethical principles will be retaliated against for such action. Any individual who retaliates against another for such reporting is subject to disciplinary action up to, and including, termination of employment.

4. Measures taken to remediate any forced labour or child labour, including measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains

In the event a concrete violation occurs, BASF will evaluate appropriate remediation measures, which may depend on the level of severity, reversibility, and influence, to be able to take the appropriate measures within a reasonable time frame.

These actions can include setting up a joint action/mitigation plan and supportive measures, or even terminating the business relationship, if the violation cannot be ended or minimized in due course. If BASF receives “substantiated knowledge” (i.e., actual indications) that a violation at a supplier deeper in critical supply chains appears possible, BASF will take actions, including assessing the credibility of the sources, and making sure that the information received is concrete, serious, verifiable with reasonable efforts, and thereafter deriving appropriate mitigating measures.

5. Training provided to employees on forced labour and child labour

BASF’s training program includes target group-specific trainings, e-learning modules and a global platform for internal dialogue. Included in its program is training sessions on human rights and the implementation of measures to comply with supply chain laws across its operating divisions.

Specific training in 2023 targeting forced labour and child labour included, but was not limited to, the following:



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- All non-unionized employees in Canada were required to complete a training course on combatting modern slavery. The content of this course included: (i) an overview of what modern slavery is, with specific reference to forced labour and the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*; (ii) an overview of high-risk countries and industries; (iii) tactics to combat modern slavery; and (iv) how employees can report suspicious activity through the correct reporting channels. This course was developed by BASF's external compliance and ethics training provider with input from BASF.
- BASF issued its own "Sustainability in Procurement" newsletter periodically to its procurement community, designed to help better understand the practical steps that need to be taken towards sustainability in our operations.
- Employees in its procurement community participated in "Sustainability Risk Management and Due Diligence in Procurement" training developed internally. The content of this training included: (i) outlining BASF's sustainability goals; (ii) why sustainability matters (including eradicating forced labour and child labour); and (iii) BASF's supply chain due diligence process.

6. How BASF assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains

BASF recognizes that preventing and addressing human rights risks, including forced labour and child labour, is a continual process.

BASF evaluates its commitment to ensuring that forced labour and child labour are not being used in its activities and supply chains using a Group-wide monitoring system comprising:

- The Global Compliance Hotline for BASF employees and third parties worldwide.
- Surveys of its group companies according to a risk-based approach to inspect the prevailing working conditions on a regular basis.
- Close dialogue with stakeholders, such as employee representatives and international organizations.

Conclusion

Both BASF Canada and BASF globally are committed to continually working across its corporate and operating divisions to increase awareness and understanding of risks of forced labour and child labour, and to further develop efforts to respect and promote fundamental rights, including the right not to be subjected to forced labour and child labour.

This Report was approved by the Board of Directors of BASF Canada on May 14, 2024.



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Approval and Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

A handwritten signature in cursive script that reads "Apala Mukherjee".

Apala Mukherjee

President

May 24, 2024

I have the authority to bind BASF Canada Inc.