



We create chemistry

Sustainability

Basis for long-term business success



Having a strong commitment to Sustainability

We listen to our stakeholder

We aim to understand the current and future needs of our markets and society (materiality).

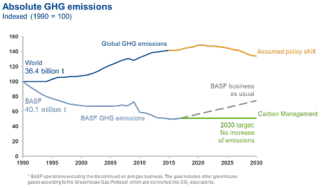


We steer our activities

We integrate relevant ESG aspects in core decision making and steering processes.



Our target: CO₂-neutral¹ growth until 2030



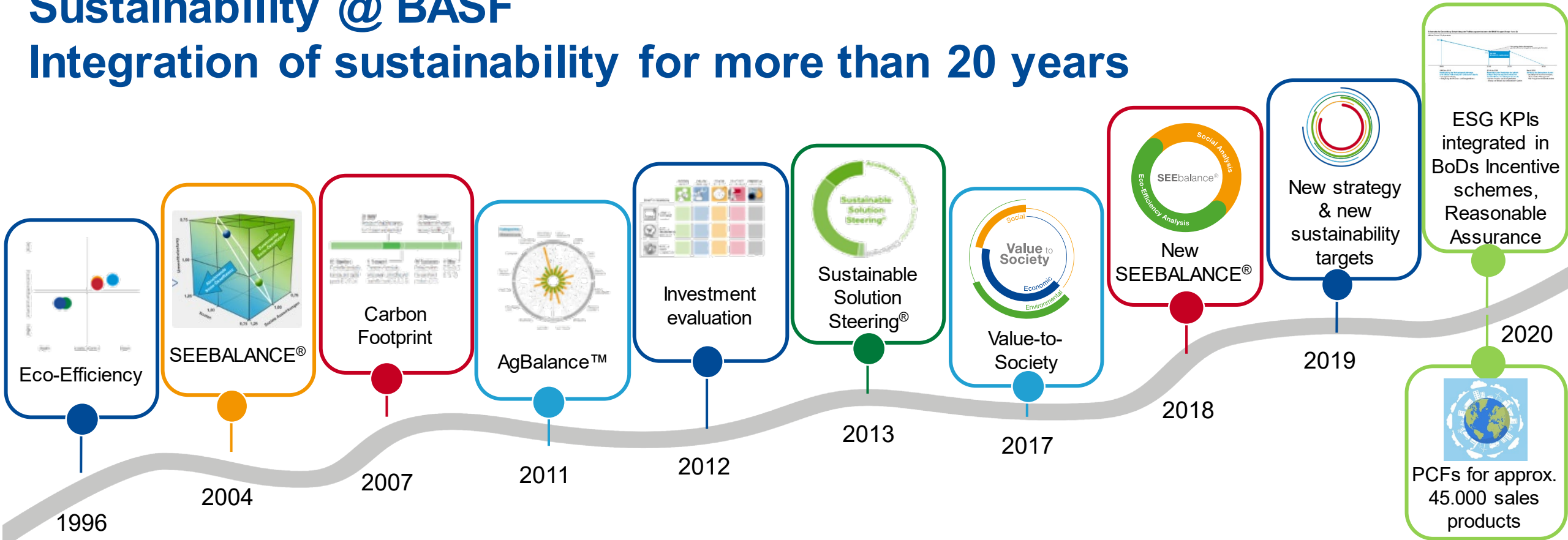
We disclose our activities

We drive transparency through stakeholder engagement and integrated reporting.

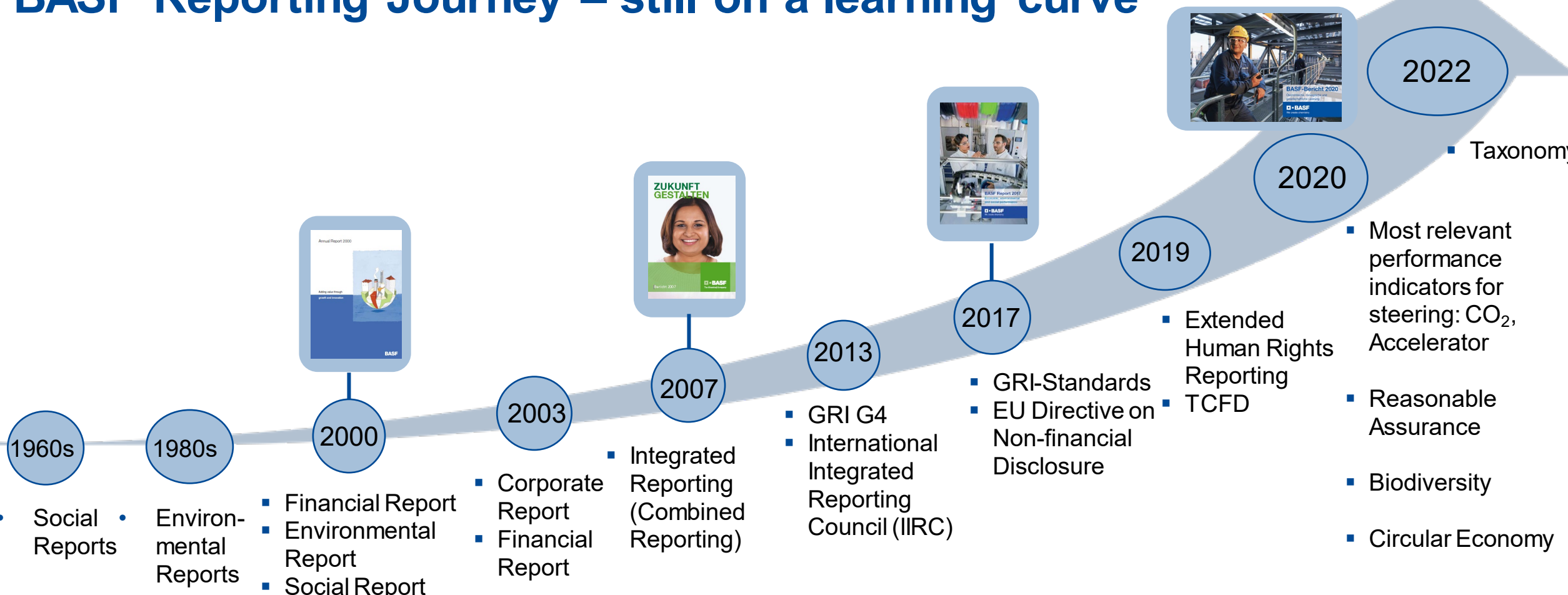


Sustainability @ BASF

Integration of sustainability for more than 20 years



BASF Reporting Journey – still on a learning curve



We integrate sustainability in our steering processes

Most significant non-financial performance indicators



Steering Concept 2020

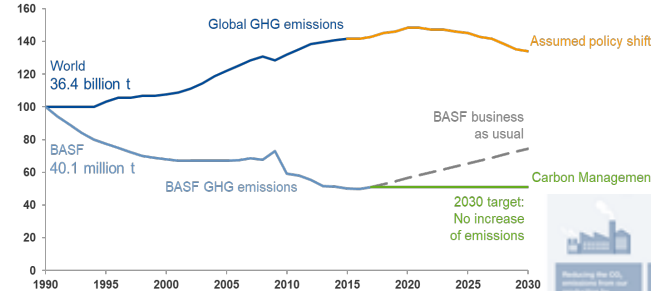
Financial KPIs



CO2-Emissions

Our target: CO₂-neutral¹ growth until 2030

Absolute GHG emissions
Indexed (1990 = 100)



¹ BASF operations excluding the discontinued oil and gas business. The goal includes other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO₂ equivalents.



Accelerator Solutions



Challenge: Breaking down the silos

Teamwork - Openness and Trust



Finance

- Financial Statement
- Financial Reporting
- Value-Value-Boxes
- TCFD Implementation
- Risk & Opportunity Report
- Assurance process (financial content)

- Strategic guidance
- Oversight external requirements
- Governance for sustainability-related content
- GRI-/IIRC-/SASB- Implementation
- Assurance process (ESG content)
- Outlook

Corporate Development (Sustainability Strategy)

Special Departments

Content & Data

- Environment, Health, Safety
- Human Resources
- Supply Chain
- Compliance

Communications & Government Relations

- Editorial Office
- Layout & Production
- Online Report
- Sustainability Website

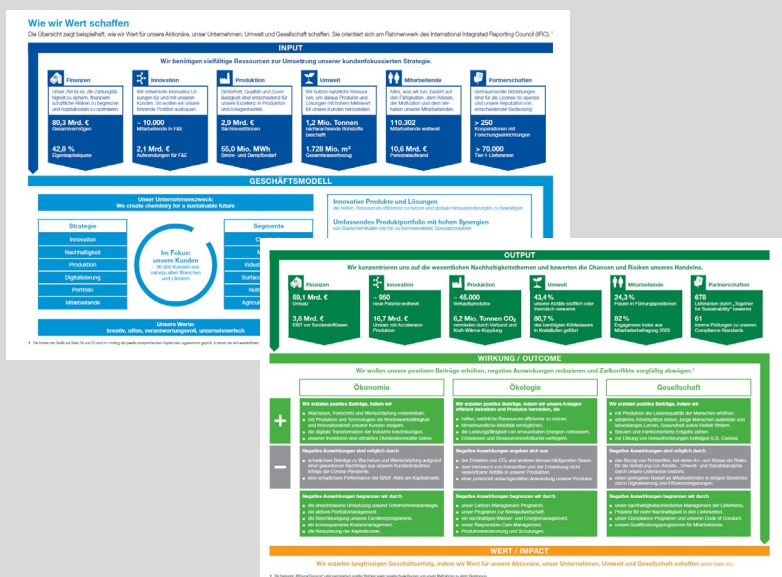
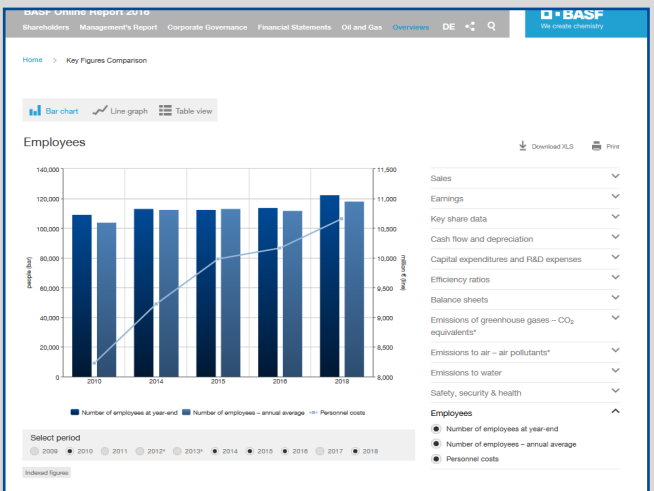
Investor Relations

- IR Chapter
- Roadshows
- Ratings

Our Reporting Journey

Integrated Reporting – current status

2020: Comprehensive Report, Integrated GRI Standards, IRC Graph (Input, Output & NEW in 2020: Outcome, Impact), TCFD Content Index, SASB Index



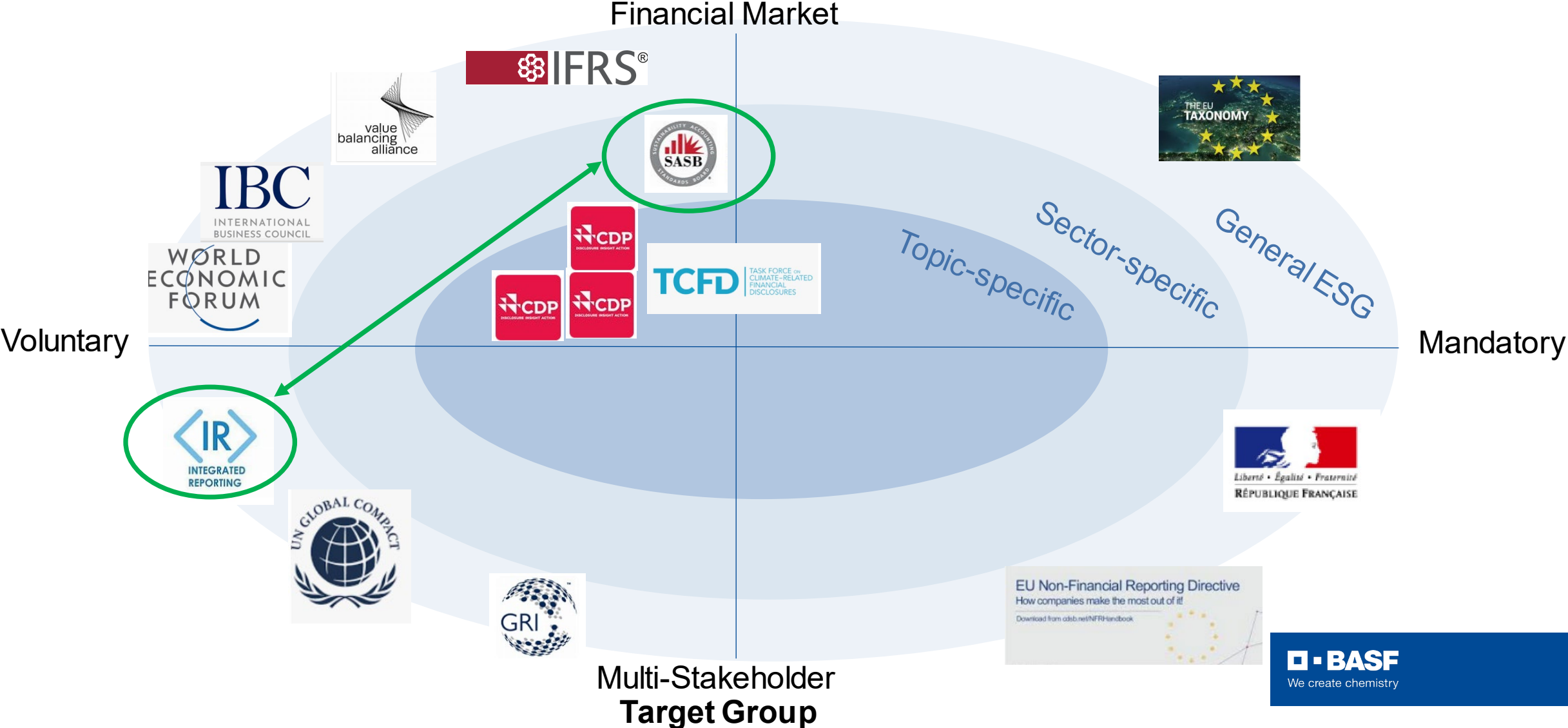
BASF Report

Online Report
Tools for customized information

IIRC graph with different capitals

Tremendous momentum in the reporting landscape

Regulators, investors and global networks are pushing disclosure



Stakeholders Expectations

A new model for corporate governance



BLACKROCK

“BlackRock has been engaging with companies for several years on their progress towards TCFD- and SASB-aligned reporting. This year, we are asking the companies that we invest in on behalf of our clients to: (1) publish a **disclosure in line with industry-specific SASB guidelines by year-end**, if you have not already done so, **or disclose a similar set of data in a way that is relevant to your particular business**; and (2) disclose **climate-related risks in line with the TCFD’s recommendations**, if you have not already done so. (...)

We **will use these disclosures** and our engagements to ascertain whether companies are properly managing and overseeing these risks within their business and adequately planning for the future. **In the absence of robust disclosures, investors, including BlackRock, will increasingly conclude that companies are not adequately managing risk.**

We believe that when a company is not effectively addressing a material issue, its **directors should be held accountable.**”



We create chemistry

Integrated Reporting

Reasons why



Integrated Reporting

Building Public Trust Award



Continuous Leadership in Integrated Reporting 2019

PwC honors companies that drive the change towards integrated reporting and have particularly transparent report:

- **completeness** and materiality of the information presented
- **quality** of the integration of information
- **reliability** of the information
- explanation of the sustainability of the **business model**
- use of innovative reporting **approaches**



We integrate sustainability in our ambitious targets set of externally reported, quantified global goals

New financial targets

Grow **sales volumes faster than global chemical production** every year



Increase **EBITDA before special items** by 3% to 5% per year



Achieve a **return on capital employed (ROCE)¹** considerably above the cost of capital percentage every year



Increase the **dividend per share** every year based on a **strong free cashflow**



New nonfinancial targets

Grow **CO₂-neutrally** until 2030



Achieve **€22 billion in Accelerator sales²** by 2025



Cover **90%** of our relevant spend³ with **sustainability evaluations** by 2025, and have **80%** of our suppliers improve their sustainability performance upon re-evaluation



More than **80%** of our **employees** feel that at BASF, they can **thrive and perform at their best**



Continued nonfinancial targets

Reduce the worldwide **lost-time injury rate** per 200,000 working hours to **≤0.1** by 2025



Reduce worldwide **process safety incidents** per 200,000 working hours to **≤0.1** by 2025



Introduce sustainable **water management** at all production sites in **water stress areas** and at all **Verbund sites** by 2030



Increase the proportion of **women in leadership positions** with disciplinary responsibility to **22–24%** by 2021



¹ Return on capital employed (ROCE) is a measure of the profitability of our operations. We calculate this indicator as the EBIT generated by the operating divisions as a percentage of the average cost of capital basis.

² Accelerator products are products that make a substantial sustainability contribution in the value chain.

³ We understand relevant spend as procurement volumes with relevant suppliers.

Societal expectations towards BASF in its value chains

Stakeholders' interests are diverse – with some common ground

Public, Politics & NGOs

- Ensure safe products
- Produce responsibly
- Protecting people & environment
- Create wealth by wages & taxes



Shareholders & Investors

- Guarantee attractive dividends
- Ensure solid risk management to safeguard share value



Business Partners

- Be a fair, reliable & reputable partner
- Deliver advantaged solutions

Employees & Management

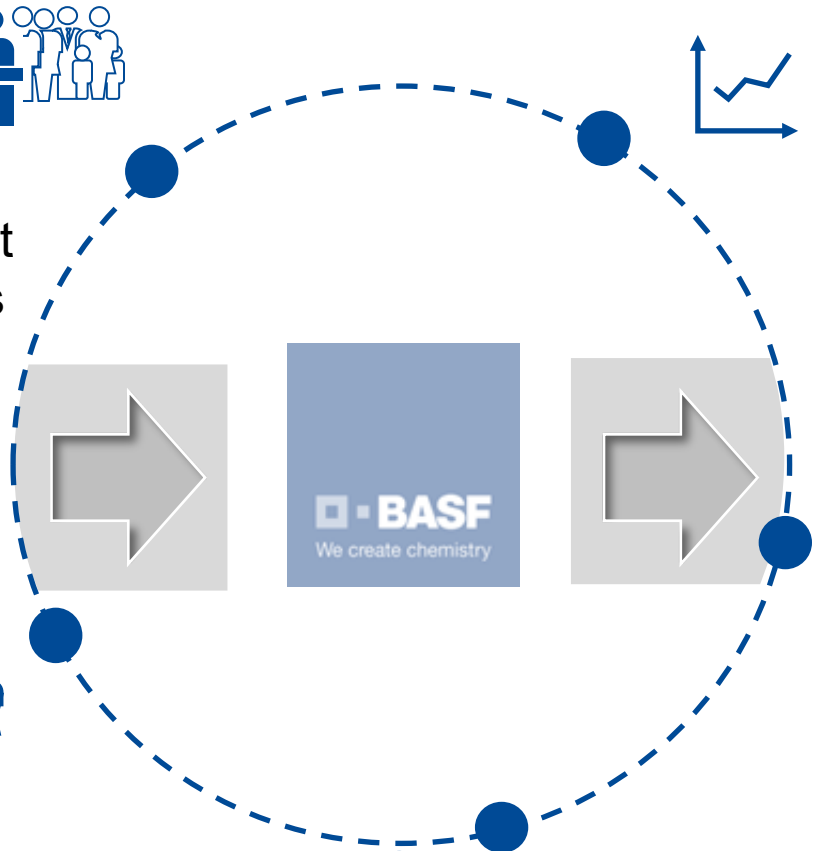
- Be a fair & reputable employer
- Protect health & safety



Neighbors



- Take-over responsibility for local impacts
- Offer attractive jobs





Our purpose:

We create chemistry for a sustainable future

Sustainability along the value chain

Five Corporate Commitments

Suppliers



We source responsibly

BASF



We produce safely
for people and the
environment

We produce efficiently

Customer



We drive sustainable
solutions

We value people and treat them with respect

Sustainability integrated in key decision-making

To minimize business risks and seize business opportunities

M&A, Investment projects



Mandatory assessment of all relevant M&A and investment projects based on holistic sustainability criteria

Strategy



Sustainability-related business risks and opportunities have to be considered in all business strategy developments

Risk Management



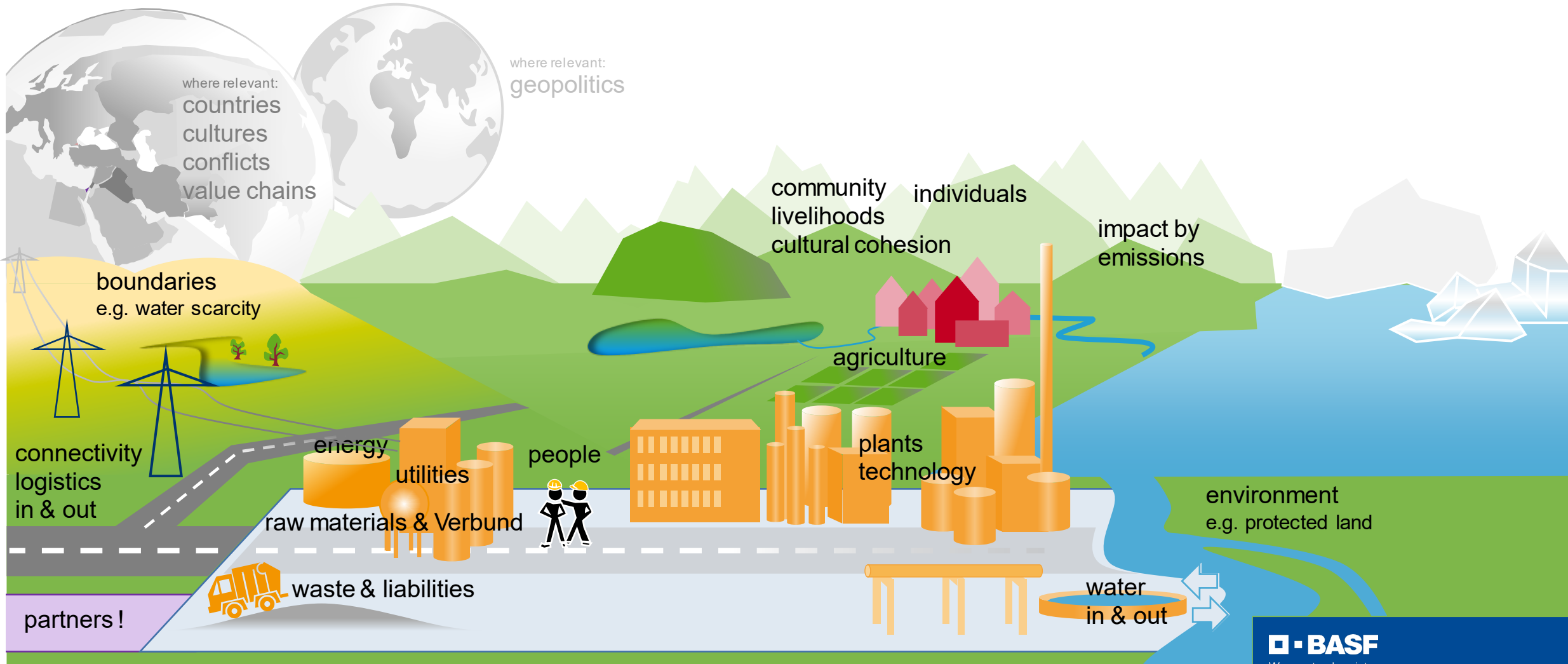
Enterprise Risk Management also assesses sustainability-related (emerging) risks

Metrics and Targets



Clear set of externally reported, quantified global sustainability goals along the value chain

We integrate sustainability in our investment processes based on holistic sustainability criteria







We integrate sustainability in our steering processes




ESG aspects relevant for steering ?



Relevant for steering, if ...

-  anchored in business model
-  appropriate targets set
-  opportunities and risk monitored
-  measures taken

Performance indicator for steering, if ...

-  regular reporting to management
-  anchored in management remuneration
-  communication of target values

We integrate sustainability in our steering processes

Contributing to a circular economy through ChemCycling



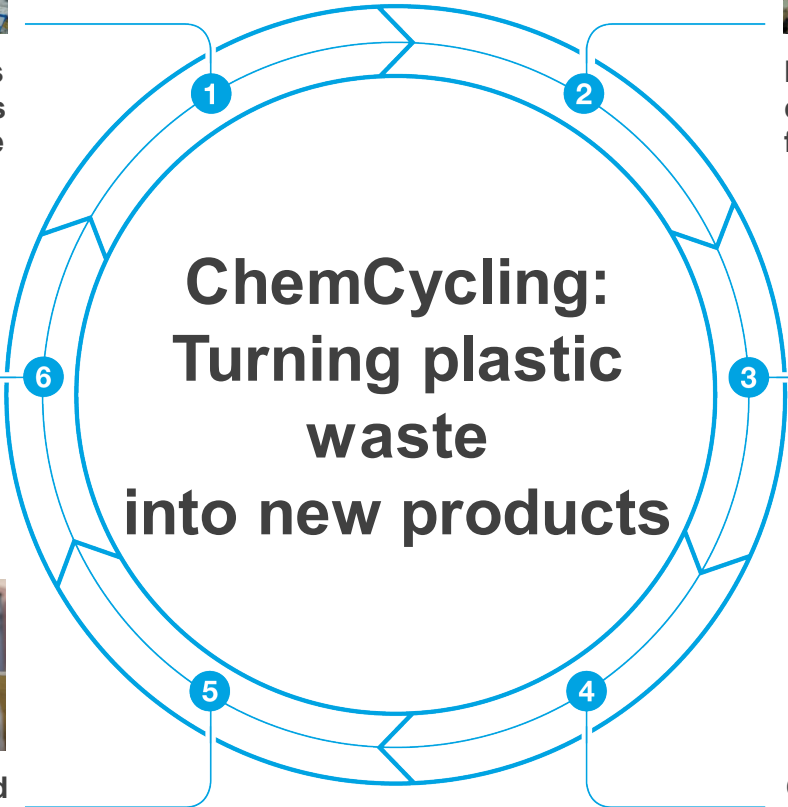
Waste companies supply recyclers with plastic waste



Plastic waste is converted into feedstock



The waste is collected and sorted by waste companies



This feedstock can be used to create all kinds of chemicals and products, including new plastics



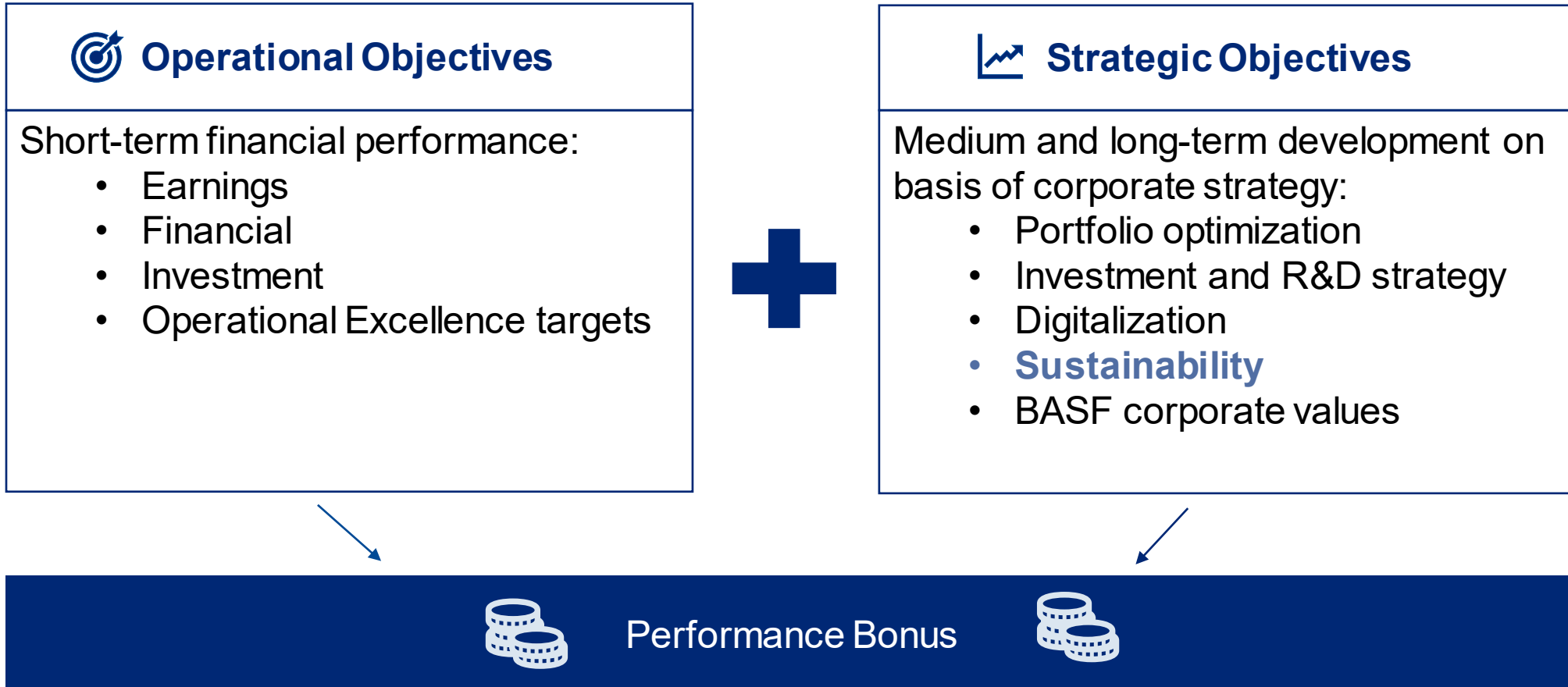
Consumers and companies use and dispose of products



Customers use these to make their own products

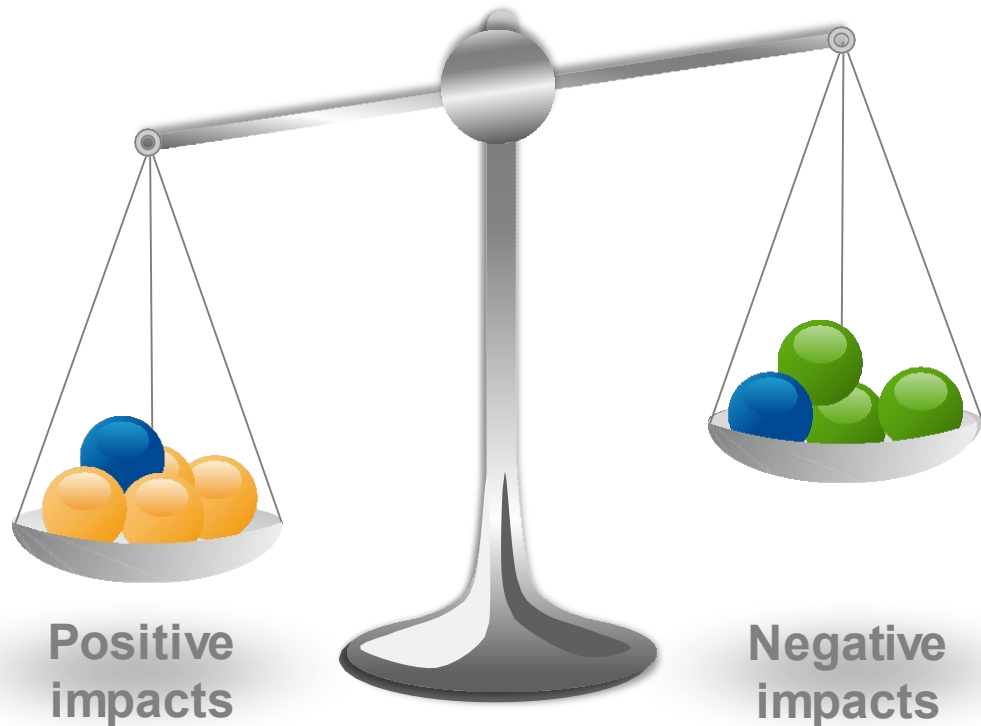
We integrate sustainability in our steering processes

Remuneration of the Board of Executive Directors



Value-to-Society: changing the perspective

Assessing and valuing the impact of BASF's business activities on the well-being of people



- From traditional reporting (e.g., wages,) to impact (e.g., purchase power)
- Holistic view of environmental, social and economic impacts along the entire value chain
- Improved understanding of relevance and interdependencies by using a common metric
- Pragmatic approach, aligned with existing frameworks, audited by KPMG
- Value Balancing Alliance e.V.: Alliance with leading companies and auditors to standardize model and tools for integrating in decision making and accounting

Business activities



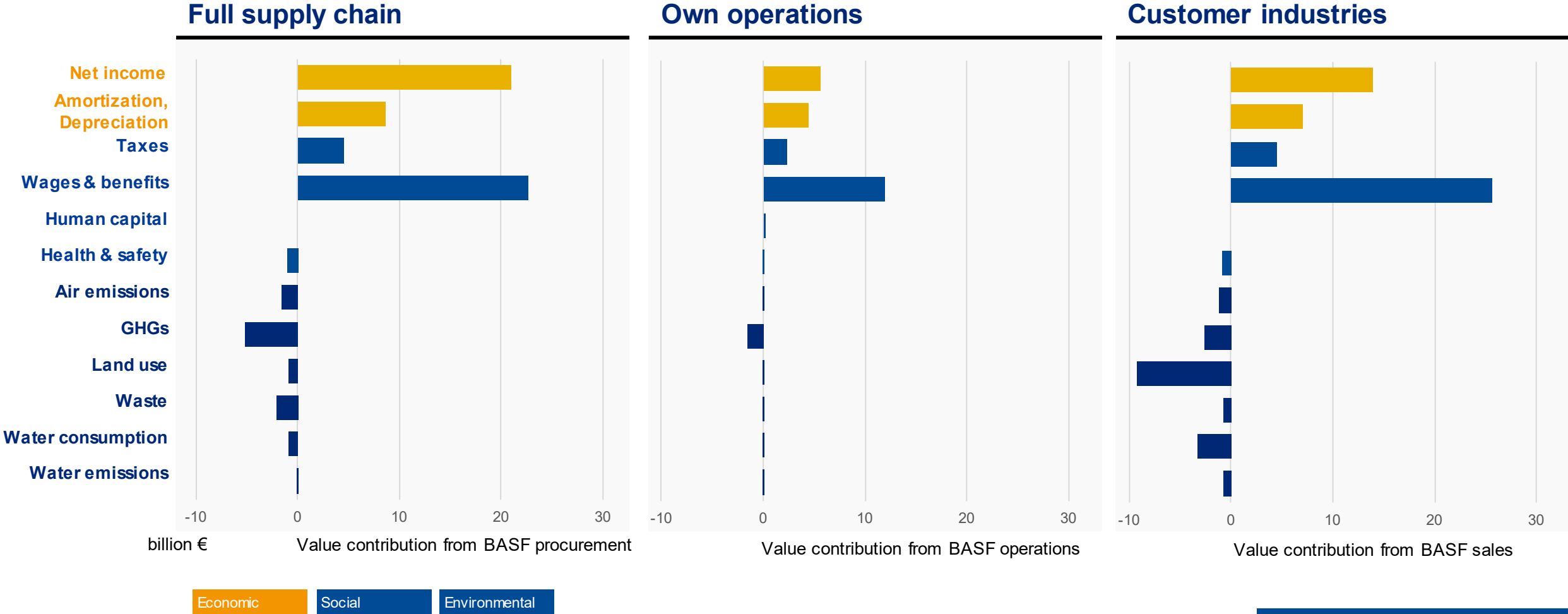
Impact on people
and environment



Value-to-Society
in monetary terms (€)

BASF's Value-to-Society 2018

Net positive contribution to sustainable growth in each step of the assessed value chain



Sustainability networks

Sustainability requires dialogue and partnership with stakeholders

We engage in sustainability networks

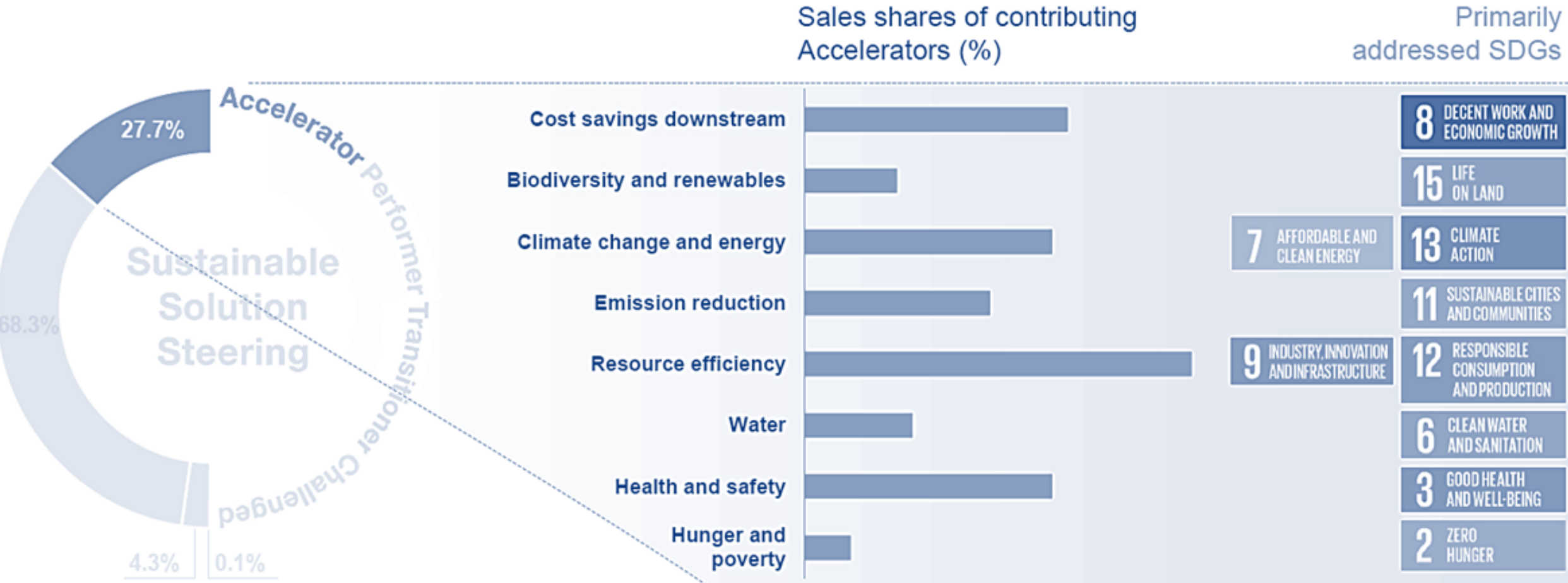
- to better **understand trends** in society as the drivers of our business
- to help **shape** measurement and performance **standards**
- to **partner for joint contributions** to Sustainable Development

Examples



UN Sustainable Development Goals (SDGs)

Through our business we contribute to the UN SDGs



(including double nominations)

Solutions for a sustainable future

Examples of Accelerator solutions



ecovio® M 2351

Biodegradable mulch film for agriculture



Merivon®

Fungicide for advanced disease control and plant health



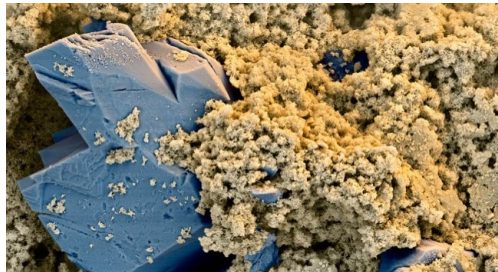
Natuphos® E

Enzyme which helps pigs and poultry better utilize phosphorus



Synative® ES TMP

Marine lubricant with excellent biodegradability



Master X-Seed®

Advanced concrete hardening accelerator



Baxxodur® EC 301

Epoxy system for cost-competitive large wind blades manufacturing



Neopor®

High insulation performance with a small amount of material



Glystantin® G 64

Engine coolant for excellent heat transfer in the engine coolant system

Integrated Reporting

CSR - Directive Implementation Act



EU-Directive into German law (2017)

New reporting obligations to increase transparency on ESG concerns

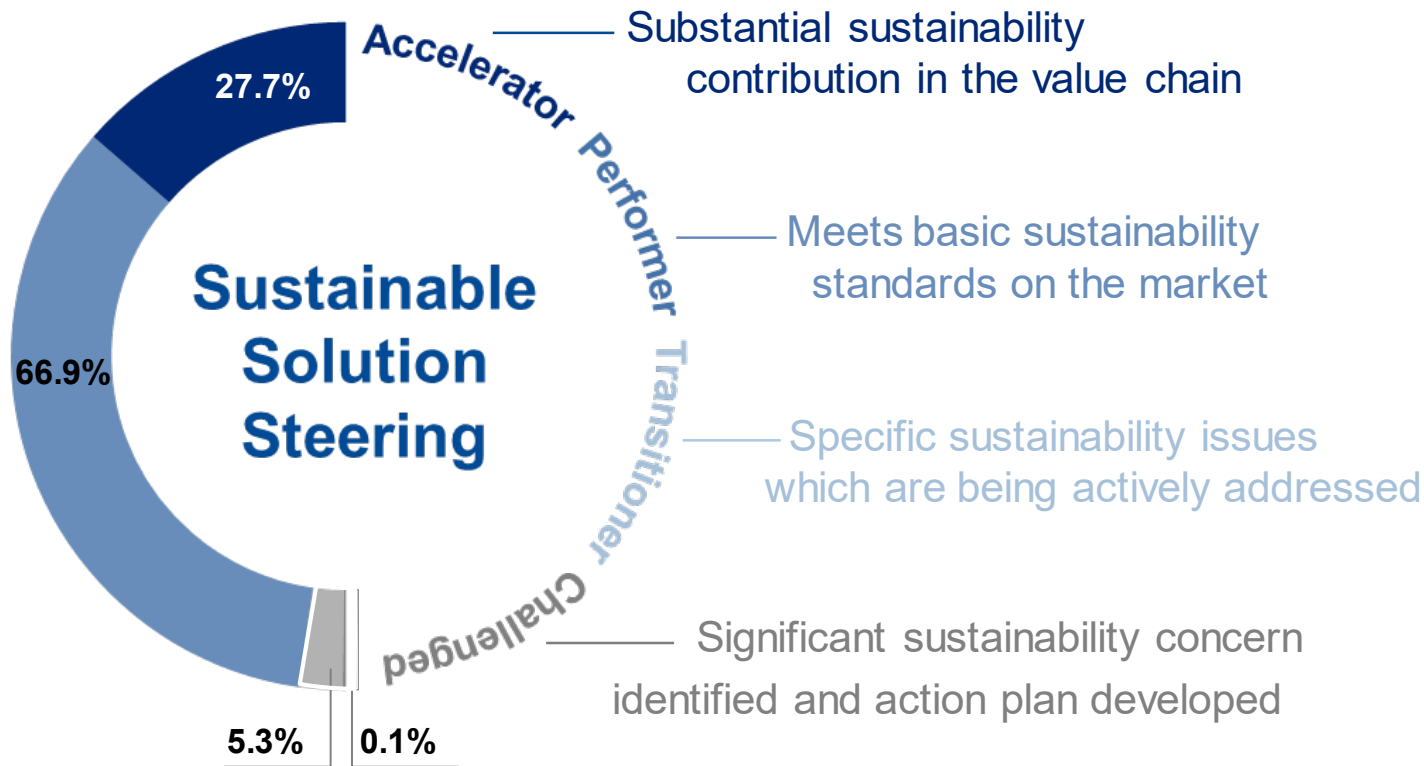
- Environment
- Labour and social affairs
- Respecting human rights
- Prevention of corruption & bribery

Key Requirements

- Definition Materiality
- Most significant nonfinancial performance indicators
- Material risks with negative impacts on ESG aspects
- Mandatory review by the Supervisory Board

We integrate sustainability in our steering processes

Sustainable Solution Steering to manage our Product Portfolio



- We target to further increase our sales from Accelerator products to €22 billion by 2025 (2018: €15 billion).
- To achieve this goal, we will deeply integrate Sustainable Solution Steering in the R&D pipeline, in business strategies as well as in merger and acquisition projects.
- As of 2018, we will phase out all Challenged products within five years of initial classification as such at the latest.