Our strategy
Corporate strategy

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

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

Our corporate purpose

- We create chemistry for a sustainable future

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

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

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

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

Our strategic principles

- We add value as one company
- We innovate to make our customers more successful
- We drive sustainable solutions
- We form the best team

We add value as one company. Our Verbund concept is unique in the industry. Encompassing the Production Verbund, Technology Verbund and Know-How Verbund as well as all relevant customer industries worldwide, this sophisticated and profitable system will continue to be expanded. This is how we combine our strengths and add value as one company.

World population growth

Source: United Nations
We innovate to make our customers more successful. We want to align our business even more with our customers’ needs and contribute to their success with innovative and sustainable solutions. Through close partnerships with customers and research institutes, we link expertise in chemistry, biology, physics, materials science and engineering to jointly develop customized products, functional materials, and system solutions as well as processes and technologies.

We drive sustainable solutions. In the future, sustainability will more than ever serve as a starting point for new business opportunities. That is why sustainability and innovation are becoming significant drivers for our profitable growth.

We form the best team. Committed and qualified employees around the world are the key to making our contribution to a sustainable future. Because we want to form the best team, we offer excellent working conditions and inclusive leadership based on mutual trust, respect and dedication to top performance.

Our values

- Creative
- Open
- Responsible
- Entrepreneurial

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

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

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

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

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

Strategic focus areas

- Industry orientation
- Innovation
- Employees
- Sustainability
- Technological and operational excellence

We have defined strategic focus areas within our company, and are concentrating on industry orientation, innovation, employees, sustainability, technology and operational excellence in order to achieve our goals. To maximize our potential, we combine our strengths and act as one company to even better use the full range of competencies that make us unique in our industry. We will tap new growth markets by bringing our research and development expertise, operational excellence, market knowledge and customer relationships even more closely together. This is how we promote the long-term success of both BASF and our customers with our products and solutions. Our employees are fundamental to achieving the goals of our “We create chemistry” strategy.
Our strategy — Corporate strategy

The BASF brand

- Trust in the BASF brand
- New claim in BASF logo: “We create chemistry”

We rely on a strong brand in order to expand our position as the world’s leading chemical company. Our brand is derived from our strategy and our corporate purpose – “We create chemistry for a sustainable future” – as well as our strategic principles and values.

“Connected” describes the essence of the BASF brand. Connectivity is one of BASF’s great strengths. Our Verbund concept – in production, technologies and knowledge as well as employees, customers and partners – enables innovative solutions for a sustainable future. As of January 1, 2015, we changed our claim in the BASF logo from “The Chemical Company” to “We create chemistry” in order to more firmly embed our solution-oriented strategy in the public consciousness. Our brand creates value by helping communicate its usefulness for our stakeholders as well as our values.

Anywhere our stakeholders encounter our brand, we aim to convince them that BASF stands for connectivity, intelligent solutions, value-adding partnerships, an attractive working environment and sustainability. This contributes to our customers’ confidence in their buying decisions and to our company value.

We are constantly developing our brand image by measuring awareness of and trust in our brand, and therefore in our company. A global market research study conducted in 2014 showed that, in terms of awareness and trust, BASF is above the industry average in numerous countries. The study collected data on respondents’ aided awareness of BASF and our most important competitors. Our goal is to continue increasing this value in all markets relevant to BASF.

Global standards

- We act according to values and standards of conduct that fulfill or exceed laws and regulations
- We review our performance with regular audits and a three-pronged monitoring system

Our standards fulfill or exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote all of the following:

- The 10 principles of the U.N. Global Compact
- The Universal Declaration of Human Rights and both United Nations covenants on human rights
- The ILO’s core labor standards and Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration)
- The OECD Guidelines for Multinational Enterprises
- The Responsible Care Global Charter
- The German Corporate Governance Code

We stipulate rules for our employees with standards that apply throughout the Group. We set ourselves ambitious goals with voluntary commitments and review our environmental, health and safety performance using our Responsible Care Management System. Regular audits and a three-pronged monitoring system ensure our compliance with labor and social standards. This system comprises the following instruments:

- External compliance hotlines
- Annual inquiry into our Group companies to inspect prevailing working conditions
- Close dialog with our stakeholders, such as employee representatives and international organizations

Our business partners are expected to comply with prevailing laws and regulations and to align their actions with internationally recognized principles. We have established monitoring systems to ensure this.

For more on labor and social standards, see page 46
For more on the Responsible Care Management System, see page 97
For more on corporate governance, see page 125 onward
For more on compliance, see page 134 onward
Innovations for a sustainable future

Innovations in chemistry are necessary to meet the needs of the growing world population on a long-term basis. The development of innovative products and solutions is, therefore, of vital significance for BASF. In 2020, we aim to generate around €30 billion of our sales and €7 billion of our EBITDA with the help of innovative products that will have been on the market for less than ten years. This means effective and efficient research is becoming increasingly important. In addition to our R&D activities in established business areas, we have defined technology and growth fields with which we can make a decisive contribution to innovative solutions for global challenges and contribute to sustainable development. The growth fields address new business areas for BASF.

We are continuing to strengthen our research and development activities in Asia as well as in North and South America. As of January 1, 2015, we are pooling our worldwide research expertise into three platforms, each headquartered in one of the regions particularly significant for us: Europe, Asia Pacific and North America: Process Research & Chemical Engineering (Ludwigshafen, Germany), Advanced Materials & Systems Research (Shanghai, China) and Bioscience Research (Research Triangle Park, North Carolina). By 2020, we aim to conduct half of our research and development activities outside of Europe. Our stronger global presence opens up new opportunities to participate in regional developments in innovation and gain access to local talent.

For more on innovation, see page 33 onward

Business expansion in emerging markets

In the years ahead, we want to grow even more vigorously in the emerging markets and expand our position there. Today’s emerging markets are expected to account for around 60% of global chemical production in 2020. We want to benefit from the considerable growth in these regions and plan to invest more than a third of our capital expenditures there between 2011 and 2020.

In 2014, emerging markets once again saw substantially faster growth rates than the industrialized countries, although the pace was slower than in the previous year. While momentum decelerated only marginally in Asia’s emerging markets, the South American economy stagnated. Growth in Brazil was weak; Argentina experienced a recession. Eastern European emerging markets posted only slow overall growth, as well. Russia’s economy slowed down enormously due to the crisis in Ukraine, declining oil prices, trade sanctions imposed by the European Union and the United States, and the sharp depreciation of the Russian ruble.

Despite higher sales volumes, we observed a slight currency-related decline in our business in emerging markets in 2014: Compared with 2013, sales at our companies headquartered in these countries decreased by 1% to €15,804 million. Based on customer location, sales (excluding Oil & Gas) in emerging markets were down by 1% to €19,242 million year-on-year, also as a result of currency effects. Sales to customers in emerging markets therefore amounted to around 33% of total sales (excluding Oil & Gas) in 2014. By 2020, we aim to expand this proportion to 45%.

Sales¹ in emerging markets

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2014</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging markets</td>
<td>45%</td>
<td>33%</td>
<td>25%</td>
</tr>
<tr>
<td>Industrialized countries²</td>
<td>55%</td>
<td>67%</td>
<td>75%</td>
</tr>
</tbody>
</table>

¹ Percentage of BASF Group sales (excluding Oil & Gas) by location of customer
² Comprises EU15, Norway, Switzerland, United States, Canada, Japan, South Korea, Australia, New Zealand
Goals

In 2011, we set ourselves sales and earnings goals for 2015 and 2020 as part of the “We create chemistry” strategy. We will not reach our medium-term financial goals for 2015, primarily because gross domestic product and industrial and chemical production grew at a considerably lower average rate from 2010 to 2015 than our strategy had anticipated (former expectations in parentheses):

- Growth of gross domestic product: 2.6% (3.4%)
- Growth in industrial production: 3.3% (4.5%)
- Growth in chemical production: 4.0% (4.9%)

This weaker economic development is largely due to sluggish momentum in the emerging markets and the lack of recovery in the European economy. Furthermore, pressure increased on margins for some basic products as well as in sections of the Performance Products segment.

Growth and profitability

<table>
<thead>
<tr>
<th>EBITDA in billion €</th>
<th>2015 Goals</th>
<th>2020 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>approximately €80 billion</td>
<td>approximately €110 billion</td>
</tr>
<tr>
<td>Premium on cost of capital</td>
<td>At least €2.0 billion on average each year</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>approximately €14 billion¹ around €7.50</td>
<td>approximately €22 billion</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td>€5.61</td>
</tr>
</tbody>
</table>

¹ In October 2014, we published an EBITDA estimate of €10 to €12 billion for 2015.

Employees

<table>
<thead>
<tr>
<th>Senior executives with international experience</th>
<th>Status at year-end 2014</th>
<th>More on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of international senior executives</td>
<td>34.3%</td>
<td>Page 44</td>
</tr>
<tr>
<td>Senior executives with international experience</td>
<td>83.0%</td>
<td>Page 44</td>
</tr>
<tr>
<td>Women in leadership positions</td>
<td>19.1%</td>
<td>Page 44</td>
</tr>
<tr>
<td>Employee development</td>
<td></td>
<td>Page 43</td>
</tr>
</tbody>
</table>

¹ Weighting by country changed as a result of updating the baseline year; the figures have been adjusted accordingly.
## Safety, security and health

### Transportation accidents per 10,000 shipments

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Goals</th>
<th>Status at year-end 2014</th>
<th>More on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation accidents per 10,000 shipments (baseline 2003)</td>
<td>−70%</td>
<td>−64.3%</td>
<td>Page 98</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost-time injuries per million working hours (baseline 2002)</td>
<td>−80%</td>
<td>−54.5%</td>
<td>Page 99</td>
</tr>
<tr>
<td>Health Performance Index (annual goal)</td>
<td>&gt;0.9</td>
<td>0.91</td>
<td>Page 99</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk assessment of products sold by BASF worldwide in quantities of more than one metric ton per year</td>
<td>&gt;99%</td>
<td>61.4%</td>
<td>Page 101</td>
</tr>
</tbody>
</table>

### Environment

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Goals</th>
<th>Status at year-end 2014</th>
<th>More on</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy and climate protection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of energy efficiency in production processes (baseline 2002)</td>
<td>+35%</td>
<td>+19.0%</td>
<td>Page 104</td>
</tr>
<tr>
<td>Greenhouse gas emissions per metric ton of sales product (baseline 2002)</td>
<td>−40%</td>
<td>−33.9%</td>
<td>Page 104</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emission of organic substances to water (baseline 2002)</td>
<td>−80%</td>
<td>−79.5%</td>
<td>Page 107</td>
</tr>
<tr>
<td>Emission of nitrogen to water (baseline 2002)</td>
<td>−80%</td>
<td>−85.4%</td>
<td>Page 107</td>
</tr>
<tr>
<td>Emission of heavy metals to water (baseline 2002)</td>
<td>−60%</td>
<td>−64.8%</td>
<td>Page 107</td>
</tr>
<tr>
<td>Withdrawal of drinking water for production (baseline 2010)</td>
<td>−50%</td>
<td>−26.3%</td>
<td>Page 107</td>
</tr>
<tr>
<td>Introduction of sustainable water management at production sites in water stress areas (baseline 2010)</td>
<td>100%</td>
<td>29.7%</td>
<td>Page 107</td>
</tr>
<tr>
<td><strong>Air</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emission of air pollutants (baseline 2002)</td>
<td>−70%</td>
<td>−63.2%</td>
<td>Page 109</td>
</tr>
</tbody>
</table>

1. In 2013, we achieved our goal to stop the flaring of associated gas released during Wintershall’s production of crude oil. In 2014, we already nearly reached our 2020 goal of reducing greenhouse gas emissions in the natural gas transportation business by 10% per transported amount and distance compared with 2010. These two goals will no longer be pursued in the future. For further information, see page 104.
2. Excluding oil and gas production.
“We add value as one company” is one of the four principles of our “We create chemistry” strategy. To create value in the long term, a company's earnings must exceed the cost of stockholders' equity and borrowing costs. This is why we strive to earn a premium on our cost of capital of at least €2 billion on average per year. To ensure BASF’s long-term success, we encourage and support all employees in thinking and acting entrepreneurially in line with our value-based management concept. Our goal: to create awareness as to how each and every employee can find value-oriented solutions in the company's day-to-day operations and implement these in an effective and efficient manner.

**EBIT after cost of capital**

- **Performance and management indicator**

Earnings before interest and taxes (EBIT) after cost of capital is a key indicator for the performance and management of the BASF Group, its operating divisions and business units. This figure combines the company's financial situation as summarized in EBIT with the costs for the capital made available to us by shareholders and creditors. When we earn a premium on our cost of capital, we exceed the return expected by our shareholders.

**EBIT after cost of capital** (in million €)

**Five-year summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT after cost of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,368</td>
</tr>
<tr>
<td>2013</td>
<td>1,768</td>
</tr>
<tr>
<td>2012</td>
<td>1,164</td>
</tr>
<tr>
<td>2011</td>
<td>2,551</td>
</tr>
<tr>
<td>2010</td>
<td>3,500</td>
</tr>
</tbody>
</table>

1 The figures for 2010 and 2011 were not restated in accordance with IFRS 10 and 11.

**Calculation of EBIT after cost of capital**

The cost of capital percentage (weighted average cost of capital, WACC) is determined using the weighted cost of capital from equity and borrowing costs. The cost of equity is ascertained using the Capital Asset Pricing Model. Borrowing costs are determined based on the financing costs of the BASF Group.

EBIT after cost of capital, which we use as a steering parameter, is a pretax figure. Therefore, we use the current average tax rate to derive the pretax cost of capital percentage from the WACC. In 2014, this cost of capital percentage was 11%; it will be at the same level in 2015. Based on this, an EBIT threshold is calculated which must then be reached by all the BASF Group’s operating units put together in order to earn the cost of capital.

For us, value-based management means the daily focus placed on value by all of our employees. To this end, we have identified value drivers that show how each and every unit in the company can create value. We develop performance indicators for the individual value drivers that help us to plan and pursue changes.

An important factor in ensuring the successful implementation of value-based management is linking the goals of BASF to the individual target agreements of employees. In the operating units, the most important performance indicators are the achievement of a positive EBIT after cost of capital and a competitive level of profitability. By contrast, the functional units’ contribution to value is assessed on the basis of effectiveness and efficiency.

All this forms a comprehensive system of value drivers and key indicators for the individual levels and functions at BASF. In addition to EBIT after cost of capital, EBIT and EBIT before special items are the most significant performance indicators for measuring business success as well as for steering the BASF Group and its operating units.

We primarily comment on EBIT before special items on a segment and division level in our financial reporting because this figure is adjusted for influences not associated with typical business operations. This makes it particularly suitable for describing financial development over time. In addition to EBIT before special items, we also report on sales as a further main driver for EBIT after cost of capital. BASF’s nonfinancial targets are focused more on the long term, and are not used for short-term steering.

According to our value-based management concept, all employees can make a contribution in their business area to help ensure that we earn the targeted premium on our cost of capital. We pass this value-based management concept on to our team around the world through seminars and training events, thereby promoting entrepreneurial thinking at all levels within BASF.
Sustainability management

Sustainability is firmly embedded into our company strategy and organization. Sustainability management follows our corporate purpose, “We create chemistry for a sustainable future,” and supports our strategic principle, “We drive sustainable solutions.”

**Strategy**

- Recognizing significant topics and trends early on
- Taking advantage of business opportunities
- Minimizing risks

As the world’s leading chemical company, we combine economic success, environmental protection and social responsibility. We have recognized sustainability as a significant driver for growth. By integrating sustainability considerations into our decision-making processes, we optimize our business and contribute to long-term economic success. We accomplish this by, for example, embedding sustainability into our organization with clearly defined responsibilities.

Our sustainability management has three duties: We want to identify significant topics early on, take advantage of business opportunities, and minimize risks. We are assisted in this endeavor by constant, trust-based exchange with our stakeholders as well as by our systematic materiality analysis.

We take advantage of business opportunities by offering our customers innovative products and solutions that contribute to sustainable development. We ensure that sustainability is included in the development and implementation of our business units’ strategies and research projects. Our “opportunity finding” method was developed for this purpose: It allows us to identify main sustainability drivers in relevant value chains and for our customers. This is how we aim to identify, and make targeted use of, the potential business opportunities created by sustainability.

We minimize risks by setting ourselves globally uniform standards for safety and security, environmental and health protection, product stewardship, and compliance, as well as for labor and social standards – many of which go beyond legal requirements.

In addition, we have integrated various dimensions of sustainability into our standard processes for evaluating investment decisions in property, plant and equipment as well as in financial assets. We prepare expert appraisals for detailed assessments of sustainability issues to assist in our decision-making.

We have created structures to promote sustainable, entrepreneurial actions all the way from strategy to implementation. The Corporate Sustainability Board is BASF’s central steering committee for sustainable development. It is comprised of heads of our business, corporate and functional units as well as of the regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Its members bring an important external perspective to the table in discussions with BASF’s Board of Executive Directors, thereby helping us expand our strengths and identify our potential for improvement.

For more on the organization of our sustainability management, see basf.com/sustainabilitymanagement

**Materiality analysis**

- Relevant sustainability topics identified and prioritized
- Topics grouped into eight material aspects of sustainability

The findings from our materiality analysis provide the foundation for focused and reader-oriented reporting. At the same time, they serve as the starting point for integrating material aspects of sustainability into our management and evaluation processes.

Starting in 2013, we once again used a multistep process to identify and prioritize the sustainability topics relevant for BASF. We started by collecting around 100 potentially relevant subjects. A workshop and qualitative interviews with internal and external specialists revealed that 38 of these were particularly relevant. Using a global survey, we gathered feedback on these 38 topics from around 350 external stakeholders worldwide, as well as around 90 experts and managers from various functions within the company. The participants rated the topics in terms of their current and future relevance for BASF. The results of this ranking are presented in a materiality matrix.

Finally, the findings were discussed in internal workshops and classified under eight overarching material aspects of sustainability. The results of this materiality study and the eight aspects derived from it were presented to, and validated by, the Board of Executive Directors.
In order to integrate sustainability further into our business activities, we launched a follow-up process in 2014 that translates the results of the materiality analysis into our steering and business processes. Categories of action were assigned to the individual aspects. A further step involved interviews with representatives from business, corporate and functional units, who assessed the business relevance of each category along the value chain. The results of this quantitative prioritization process show where along the value chain we have the possibility to take action with respect to each individual aspect. As a result, we have achieved a better understanding of the steps along the value chain where action needs to be prioritized in terms of the material aspects, and which topic areas we can influence with our actions. Building on this, we want to derive additional measures that maximize the positive effects of our actions and further minimize the negative ones.

For more, see basf.com/materiality

### Material aspects and action priority areas along the value chain

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Suppliers</th>
<th>Production</th>
<th>Customers</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and climate</td>
<td></td>
<td></td>
<td></td>
<td>For more, see pages 97 and 103 onward</td>
</tr>
<tr>
<td>Food¹</td>
<td></td>
<td></td>
<td></td>
<td>For more, see page 107 onward</td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td></td>
<td></td>
<td>For more, see pages 93, 95 and 97 onward</td>
</tr>
<tr>
<td>Resources and ecosystems</td>
<td></td>
<td></td>
<td></td>
<td>For more, see pages 29, 97, 99, 101 and 109 onward</td>
</tr>
<tr>
<td>Responsible production²</td>
<td></td>
<td></td>
<td></td>
<td>For more, see pages 29, 97, 99, 101 and 109 onward</td>
</tr>
<tr>
<td>Products and solutions</td>
<td></td>
<td></td>
<td></td>
<td>For more, see pages 29 and 101 onward</td>
</tr>
<tr>
<td>Partnering</td>
<td></td>
<td></td>
<td></td>
<td>For more, see pages 22, 29, 40, 47, 93 and 134 onward</td>
</tr>
<tr>
<td>Employment and employability</td>
<td></td>
<td></td>
<td></td>
<td>For more, see page 41 onward</td>
</tr>
</tbody>
</table>

¹ The focus of our activities on this aspect within the supply chain are shown under “resources and ecosystems.” The action priority areas for this aspect on the customer end are covered under “products and solutions.”

² In 2014, we renamed “operational excellence” to “responsible production” in order to emphasize the concentration on our production processes.
Engaging stakeholders

- Constant dialog with our stakeholders along the value chain
- Sustainability integrated into day-to-day business

Our stakeholders include employees, customers, suppliers and shareholders, as well as experts in science, industry, politics, society and media. We provide transparent communication about our activities and take on critical questions. Through constant dialog with our stakeholders along the entire value chain, we want to ensure that society accepts our activities and subsequently build partnerships based on trust. At the same time, we use this dialog to verify that our materiality analysis is complete and up to date.

We have a particular responsibility toward our production sites’ neighbors, and discuss current issues with them in 84 community advisory panels. These panels aim to promote open exchange between citizens and our site management with the goal of strengthening trust in our activities.

In keeping with our corporate strategy, we integrate sustainability considerations into our day-to-day business and help our employees make their contribution to a sustainable future. We offered further information sessions, online courses, workshops and discussions on sustainability in 2014.

In order to even more closely involve our stakeholders, we discussed topics like responsibility along the value chain, climate protection and human rights with our Stakeholder Advisory Council in 2014. The diverse international experts from science and society once again discussed material aspects of sustainability with BASF’s Board of Executive Directors in order to enhance BASF’s sustainability strategy. For example, a Stakeholder Advisory Council discussion on the topic “partnering” prompted us to review and standardize our approach to dialog with neighbors at relevant sites around the world.

BASF takes an active part in the United Nations Global Compact: BASF’s Chairman of the Board of Executive Directors is a member of the United Nations Global Compact Board. In the worldwide network of Global Compact LEAD, we are involved in the creation of the Post-2015 Development Agenda and discussing possible global sustainability goals together with the other participants. BASF is also active in numerous local Global Compact networks.

Our lobbying and political communications are conducted in accordance with transparent guidelines and in keeping with our publicly stated positions. BASF does not in principle support political parties. The BASF Corporation Employees Political Action Committee, established by our employees in the United States, is an independent, federally registered employee association that collects donations for political purposes and independently decides how these are used.

Creating value for customers

- Product portfolio examined and evaluated for sustainability
- Various additional instruments established for assessing sustainability

From 2011 to the end of 2014, BASF conducted sustainability assessments and evaluations on 98.3% of its entire portfolio of more than 60,000 specific product applications – which account for €66.3 billion in sales – using the Sustainable Solution Steering method. This externally validated procedure allows us to determine how our products contribute to sustainability. We observe their application in various markets and industries.

The product applications we analyzed were arranged into four categories: “Accelerator,” “Performer,” “Transitioner” and “Challenged.” Of the analyzed products, 23.0% (by sales) turned out to be Accelerators. They contribute particularly to sustainability in the value chain. Performers are solutions that meet all of the market’s standard sustainability requirements. Around 74.1% of BASF’s analyzed product portfolio matches this description. A Transitioner is a product for which specific sustainability requirements have been identified and plans of action have been defined. These recommendations are being carried out. Approximately 2.6% of the analyzed products fall under this category. Applications that do not sufficiently fulfill significant sustainability criteria are labeled Challenged. BASF is developing plans of action for these products in order to find better solutions, which can include research projects, reformulations or even replacing one product with an alternative product. Currently, this applies for 0.3% of the analyzed products.

We aim to increase the number of Accelerator solutions in the long term in order to further improve the sustainability contribution made by BASF and its customers. This is why our product portfolio is constantly being reviewed.
We use our established Eco-Efficiency Analysis tool to identify critical parameters for improving the ecological and economic balance of our products and processes along the value chain. In order to even better support our divisions in implementing sustainability strategies and goals, we also offer other ecological evaluation instruments alongside the Eco-Efficiency Analysis. These include the methods often used for impact assessment as a part of life-cycle analyses.

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

Our “mass balance method” allows us to replace fossil resources in the current Production Verbund with renewable resources.

Minimizing risks

- Recognizing and avoiding sustainability-related risks early on
- Global standards provide framework for actions

Through our materiality analysis, dialog with partners along the value chain, and our many years of experience, we are constantly developing a better understanding of possible risks along our value chain. We optimize our risk management by recognizing sustainability-related risks early on and preventing these as far as possible.

Uniform worldwide standards provide a clear framework for our actions and are outlined in our Code of Conduct. We support the United Nations Guiding Principles on Business and Human Rights and have been part of the Global Business Initiative since 2012 – a group of globally operating companies from different industries whose goal is to advance the regard of human rights in business activities. As the only member based in Germany, we worked in 2014 with partners and experts on challenges and solutions surrounding business and human rights, which included introducing examples of how to implement the U.N. Guiding Principles. In 2014, we also participated in two events for the consultation process of the German government’s national plan of action on this topic. We are constantly working to improve our internal guidelines and processes in keeping with the U.N. Guiding Principles.