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.

For more information on our strategy, see basf.com/strategy

Global trends provide opportunities for growth in the chemical industry

Demographic change:
Share of population aged 60 and over worldwide +100% 2020 to 2050

Digitalization:
Rapid growth in volume of data 456 zettabytes in 2030

Population growth:
Driven by the emerging markets +25% 2020 to 2050

Climate change:
Required reduction of greenhouse gas emissions to achieve the 2°C goal –70% by 2050

China the largest market:
Share of global chemical market ~50% by 2030

Electromobility:
Growing demand for battery materials until 2030 +20–25% per year

Sources: UN, IEA, UBS Foresight, BASF

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\(^1\) 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.

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.

1 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.

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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.

Customer orientation

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.

Customer awards

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 Ardrox®, 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.

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. In addition, we also meet industry and customer-specific quality requirements that go beyond the ISO standard.

For more information on BASF’s Creation Centers, see basf.com/en/creation-center

1 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). 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

<table>
<thead>
<tr>
<th>Target Description</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow sales volumes faster than global chemical production every year</td>
<td>-3%</td>
</tr>
<tr>
<td>Increase EBITDA before special items by 3-5% per year</td>
<td>-11%</td>
</tr>
<tr>
<td>Grow CO₂-neutrally until 2030 (Development of carbon emissions compared with baseline 2018)</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Reduce worldwide process safety incidents per 200,000 working hours to ≤ 0.1 by 2025</td>
<td>0.3</td>
</tr>
<tr>
<td>Introduce sustainable water management at all production sites in water stress areas and at all Verbund sites by 2030</td>
<td>35.8%</td>
</tr>
<tr>
<td>Increase the proportion of women in leadership positions with disciplinary responsibility to 22-24% by 2021</td>
<td>23%</td>
</tr>
<tr>
<td>Cover 90% of our relevant spend with sustainability evaluations by 2025</td>
<td>81%</td>
</tr>
</tbody>
</table>

For more information, see the respective pages in the document.
One 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 we 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.

For more information on innovation, see page 31 onward

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 in our steering 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.

For more information on the integration of sustainability, see page 36 onward

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.

For more information on operations, see page 109 onward

Digitalization
Digitalization is an integral part of our business. This creates value added for our customers, grows our business and improves 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.

For more information on digitalization, see pages 64, 110, 129 and 146

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.

For more information on our organization and the Verbund, see page 19 onward

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.

For more information on employees, see page 126 onward
Corporate values
guide our conduct and actions

How we act is critical for the successful implementation of our strategy: This is what our four core values represent – creative, open, responsible, entrepreneurial. They guide our actions and define how we want to work together – as a team, with our customers and our partners.

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.

Global standards

- We act according to our values and internationally recognized standards of conduct and review our performance with audits

Our standards fulfill or exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:
- The 10 principles of the U.N. Global Compact
- The Universal Declaration of Human Rights and the two U.N. Human Rights Covenants
- The core labor standards of the ILO and the 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 monitor our performance in terms of environmental protection, health and safety using our Responsible Care Management System. In terms of labor and social standards, this takes place using three elements: the Compliance Program (including the compliance hotline, which can be used for internal and external questions or complaints), close dialog with our stakeholders (such as with employee representatives or international organizations), and the global management process to respect international labor norms.

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

The BASF brand

BASF’s success as an integrated global chemical company relies on having a strong brand. Our brand and mission are manifested in our strategy and our corporate purpose – “We create chemistry for a sustainable future” – as well as our values. “Connected” describes the essence of the BASF brand. Connectedness is one of BASF’s great strengths. Our Verbund concept – realized in production, technologies, the market and digitalization – enables innovative solutions for a sustainable future. The claim “We create chemistry,” as stated in the BASF logo, helps us embed this solution-oriented strategy in the public perception. Our brand creates value by helping communicate its benefits for our stakeholders and our values.

Wherever our stakeholders encounter our brand, we want to convince them that BASF stands for connectedness, innovation and intelligent solutions, value-adding partnerships, an attractive working environment and sustainability. This contributes to our customers’ confidence and to our company value.

We are constantly developing our brand image. We regularly measure awareness of and trust in our brand and our company. A global study commissioned by us and conducted worldwide every two years by an independent market research institution again showed in 2018 that, in terms of awareness and trust, BASF is above the industry average in numerous countries. Our goal is to continue increasing awareness of BASF in all of our relevant markets.
Value-Based Management

A company can only create value in the long term if it generates earnings that exceed the cost of the capital employed. This is why we encourage and support all employees in thinking and acting entrepreneurially in line with our value-based management concept. As of 2019, the return on capital employed (ROCE) replaces EBIT after cost of capital as the most important key performance indicator for steering the BASF Group.

The BASF Group’s steering concept

We follow a value-oriented steering concept with our financial targets. As of 2019, we use the return on capital employed (ROCE) instead of EBIT after cost of capital for operational steering as a key target and management indicator for the BASF Group, its operating divisions and business units. As stated in our strategic goals, we aim to achieve a ROCE considerably above the cost of capital percentage every year. The change to ROCE means that the same logic and data is now used for internal management, external communication with the capital markets and variable compensation. This improves the consistency of the indicators used for BASF’s value-based management with variable compensation and pension systems, and our shareholders’ objectives.

Calculating ROCE and cost of capital

ROCE is calculated as the EBIT of the segments as a percentage of the average cost of capital basis at each month-end.

To calculate the EBIT of the segments, we take the BASF Group's EBIT and deduct the EBIT of activities recognized under Other, which are not allocated to the divisions.

The cost of capital basis consists of the operating assets of the segments and is calculated using the month-end figures. Operating assets comprise the current and noncurrent asset items of the segments. These include tangible and intangible fixed assets, investments accounted for using the equity method, inventories, trade accounts receivable, other receivables and other assets generated by core business activities and, where appropriate, the assets of disposal groups. The cost of capital basis also includes customer and supplier financing.

The cost of capital percentage, which we have integrated into our ROCE target as a comparative figure, is determined using the weighted cost of capital from equity and borrowing costs (weighted average cost of capital, WACC). To calculate a pre-tax figure similar to EBIT, it is adjusted using the projected tax rate for the BASF Group for the business year. In addition, the projected net expense of Other is already provided for by an adjustment to the cost of capital percentage. 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. The cost of capital percentage for 2020 is 9% (2019: 10%).

Value-based management throughout the company

An important part of our value management is the target agreement process, which aligns individual employee targets with BASF’s targets. As of 2019, the most important financial performance indicator in the operating units is ROCE. The other units’ contribution to value is also assessed according to effectiveness and efficiency on the basis of quality and cost targets.

We use ROCE as the BASF Group’s most important key performance indicator for measuring economic success as well as for steering the BASF Group and its operating units. EBIT before special items and capex (capital expenditure) are key performance indicators for BASF that have a direct impact on ROCE and as such, support its management.

EBIT before special items is used to steer profitability at Group and segment level. This is calculated by adjusting the EBIT reported in the Consolidated Financial Statements for special items, making it especially suitable for assessing economic development over time. Special items arise from the integration of acquired businesses, restructuring measures, certain impairments, gains or losses resulting from divestitures and sales of shareholdings, and other expenses and income that arise outside of ordinary business activities.

Capital expenditures (capex) comprise additions to property, plant and equipment excluding additions from acquisitions, IT investments, restoration obligations and right-of-use assets arising from leases. It is used to manage capital employed in the BASF Group. Capex is not just relevant to ROCE management, but also supports our long-term goal to increase our dividend each year based on a strong free cash flow.

Furthermore, we comment on and forecast sales at Group and segment level in our financial reporting as a significant driver for EBIT before special items and thus ROCE.

BASF’s sustainability targets are generally focused more on the long term. Moreover, as part of the implementation of our strategy, we have decided to also establish short-term steering mechanisms from January 1, 2020, such as incentives within the compensation system to steer the targets “CO₂-neutral growth until 2030” and “Achieve €22 billion in Accelerator sales by 2025.”

(For more information on the development of these indicators, see Results of Operations from page 47 onward.)
Innovation

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

Innovation has always been the key to BASF’s success, especially in a challenging market environment. Our innovative strength is based on a global team of highly qualified employees with various specializations. We had approximately 11,000 employees involved in research and development in 2019. Our three global research divisions are run from our key regions – Europe, Asia Pacific and North America: Process Research & Chemical Engineering (Ludwigshafen, Germany), Advanced Materials & Systems Research (Shanghai, China) and Bioscience Research (Research Triangle Park, North Carolina). Together with the development units in our operating divisions, they form the core of our global Know-How Verbund. BASF New Business GmbH and BASF Venture Capital GmbH strengthen our portfolio with creative new projects and in this way, reach our growth goals.

Our eight academic research alliances bundle partnerships with several research groups in a region or with a specific research focus. The Northeast Research Alliance (NORA, previously the North American Center for Research on Advanced Materials) and the California Research Alliance (CARA) are located in the United States. NORA focuses on materials science and biosciences, catalysis research, digitalization and cooperation with startups, while the interdisciplinary CARA research center works on new functional materials, formulations, digital methods, catalysis,
chemical synthesis, and in engineering sciences and biosciences. The Joint Research Network on Advanced Materials and Systems (JONAS) research center is active in Europe. Research here concentrates on supramolecular chemistry as well as nanotechnology and polymer chemistry. At the Network for Asian Open Research (NAO) in the Asia Pacific region, research focuses on polymer and colloid chemistry, catalysis and machine learning.

We are working on innovative components and materials for electrochemical energy storage with the Karlsruhe Institute of Technology (KIT) at the Battery and Electrochemistry Laboratory (BELLA). At the joint Catalysis Research Laboratory (CaRLa), BASF is researching homogeneous catalysis in cooperation with the University of Heidelberg. BasCat is a joint laboratory operated by the UniCat cluster of excellence and BASF at the Technical University of Berlin, where new heterogeneous catalysis concepts are being explored together with the Fritz Haber Institute of the Max Planck Society. The iL (Innovation Lab) in Heidelberg, Germany, focuses on functional printing, printed sensors and IoT (internet of things) applications.

Our eight Academic Research Alliances are complemented by cooperations with around 300 universities and research institutes as well as collaborations with a large number of companies.

**Strategic focus**

- **Close cooperation between research and business units with strong customer focus**
- **Further development of our innovation strategies**

Research and development expenses amounted to €2,158 million, above the prior-year level (€1,994 million). The increase was mainly attributable to the research-intensive seed business, which BASF acquired from Bayer in August 2018. The operating divisions accounted for 81% of total research and development expenses in 2019. The remaining 19% related to cross-divisional corporate research focusing on long-term topics of strategic importance to the BASF Group.

Our focus is on the development of value-adding innovations for our customers to secure our long-term competitiveness. Under our updated strategy, we have brought research and development even closer together from an organizational perspective, and thus better aligned with the needs of our customers. Our aim is to continue to shorten the time to market and accelerate the company’s organic growth. A strong customer focus, digitalization, creativity, efficiency and collaboration with external partners are among the most important success factors here. In order to bring promising ideas to market as quickly as possible, we regularly assess our research projects using a multistep process and prioritize our focus areas accordingly.

Our cross-divisional corporate research will remain closely aligned with the requirements of our operating divisions and allows space to review creative research approaches quickly and in an agile way. We strengthen existing and continually develop new, key technologies that are of central significance for our operating divisions, such as polymer technologies, catalyst processes or biotechnological methods.

We are fine-tuning our innovation strategies in all of our business areas to ensure a balanced portfolio of incremental and breakthrough innovation, as well as of process, product and business model innovation. One of the steps taken in 2018 to further promote breakthrough innovation was the establishment of BASF’s incubator, Chemovator GmbH, based in Mannheim, Germany. This actively nurtures promising business ideas with the help of external experts, who act as consultants, coaches, mentors or intermediaries, and quickly bring them to market readiness. We have also identified additional, far-sighted topics that go above and beyond the current focus areas of our divisions. The aim is to use these to exploit new business opportunities within the next few years. Above and beyond this, we are working on overarching projects with a high technological, social or regulatory relevance. For instance, one global research and development program, Carbon Management R&D Program, is focusing on the energy-intensive underlying production processes for basic chemicals. These basic chemicals account for around 70% of the CO2 emissions produced by the European chemical industry. The program covers topics such as the development of new catalysts for dry reforming methane with CO2 to produce syngas, and using methane pyrolysis to produce hydrogen from natural gas.

Our global research and development presence is vital to our success. We want to continue advancing our research and development activities, especially in Asia and North America, with a focus on growth in regional markets. A stronger presence outside Europe creates new opportunities for developing and expanding customer relationships and scientific collaborations as well as for gaining access to talented employees. This strengthens our Research and Development Verbund and makes BASF an even more attractive partner and employer. The Ludwigshafen site in Germany is and will remain the largest in our Research Verbund. This was once again underlined with the investment in a new research center, which was opened in 2019. It houses highly automated experimental facilities for new process development and testing process catalysts. In addition, three state-of-the-art electron microscopes started operation in Ludwigshafen in 2019. These particularly benefit research in inorganic material systems, such as catalyst and battery research.

The number and quality of our patents also attest to our power of innovation and long-term competitiveness. In 2019, we filed around 1,000 new patents worldwide. Also in 2019, we once again also ranked among the leading companies in the Patent Asset Index, a method that compares patent portfolios industry-wide.

**Sources:** JRC (Energy efficiency and GHG emissions: Prospective scenarios for the Chemical and Petrochemical Industry 2017, Boulamanti A., Moya J.A.; DECHEMA Technology Study Low carbon energy and feedstock for the European chemical Industry, 2017)
Research focus areas – examples

- New catalysts for olefin production
- Long-lasting crop protection with beneficial insect-friendly insecticide
- Biopolymers with enhanced properties

Our focus areas in research are derived from the three major areas in which chemistry-based innovations will play a key role in the future:
- Resources, environment and climate
- Food and nutrition
- Quality of life

At BASF, we develop new technologies that can be used to significantly reduce emissions. In collaboration with Linde and academic partners, we successfully produced syngas from methane and CO₂ in a process known as “dry reforming.” This can be converted into dimethyl ether (DME) in an intermediate step and then into olefins, the main intermediate in the chemical industry. New catalysts from BASF are used in both the production of syngas and its subsequent conversion into DME. Following complex high-throughput screenings, an automated testing method with parallel experiments, and a data-based optimization approach for the catalyst structures, scientists from the Process Research & Chemical Engineering research division also developed proprietary production processes for the catalysts. Together with employees from the Catalysts division, the researchers transferred the new catalysts to production and worked on pilot tests in 2019.

The insecticide Inscalis® was developed by a team of scientists from the research division Bioscience Research and the Agricultural Solutions segment in collaboration with Meiji Seika Pharma Co., Ltd., Tokyo, Japan, and the Kitasato Institute. The highly effective insecticide offers farmers extra long-lasting crop protection without affecting beneficial pollinators like bees. Inscalis® contains an active ingredient based on a natural fermentation process using the Penicillium coprobium fungus. By optimizing the fermentation conditions, the researchers were able to considerably increase the yield of the natural substance pyripyropene A (PPA). The PPA is refined into the final active ingredient using chemical synthesis in an optimized two-step process. A patented formulation concept also ensures a significantly improved active ingredient uptake. The active ingredient was first approved in Australia, India, Canada, the United States and China in 2018, followed by further approvals in Mexico and Argentina in 2019. In 2019, the researchers also won the BASF’s internal innovation prize for their outstanding research work.

For many years now, one focus area of BASF’s research has been the full biodegradability of biopolymers in various biospheres and soils. Our multidisciplinary Research Verbund ensures that scientists with a wide range of skills adopt a holistic approach in driving forward this complex area of research. Employees from the research division Advanced Materials & Systems Research continued to expand our competence profile in 2019. With ecovio® M 2351, we have developed the first plastic for mulch films to be certified as biodegradable according to the European standard DIN EN 17033.

Battery materials

Around the world, experts in the Process Research & Chemical Engineering research division are working on innovative cathode active materials for high-performance lithium-ion batteries to meet the growing demand for powerful, reliable and affordable electric vehicles. Digital methods such as machine learning enable us to make early predictions about the quality of new materials, such as their performance or life span. This helps to accelerate research. The data used include electrochemical measurements on battery cells and images from electron microscopes, which are analyzed with respect to various characteristics such as surface properties or defects.
Chemicals: In a research project on an alternative production method for sodium acrylate, we are investigating the use of CO₂ as a chemical feedstock. The focus is on finding more efficient and more resource-saving synthesis methods. Sodium acrylate is an important starting material for superabsorbents, which are widely used in diapers and other hygiene products. Unlike the current propylene-based production method, the new process uses CO₂ and ethylene, which are converted using a catalyst. BASF experts have since made significant progress on this process. They have demonstrated that it can be successfully implemented at laboratory scale, an important milestone toward industrial application. The use of CO₂ in the new process could replace around 30% of the fossil fuels, provided that a larger-scale process also proves to be stable and energetically favorable.

BASF launched a new vinyl monomer in 2019: vinyl methyl oxazolidinone (VMOX). VMOX is particularly suitable as a reactive diluent in ultraviolet curing coatings and inks, which can for example be used for digital UV printing. In these applications, the vinyl monomer offers technical benefits compared with conventional reactive diluents. The monomer brings good properties on all common substrates, even at low dosages. It also enables more brilliant colors in the final printed products and coatings. VMOX also allows innovative coatings formulations with a favorable toxicological profile compared with other, similar products.

Materials: The semi-crystalline polyamide Ultramid® Vision offers very high light transmission with low light scattering compared with opaque standard polyamides. Its high UV and temperature resistance, scratch resistance, and good chemical resistance make Ultramid® Vision an important building block wherever visual control or light design play a role, for example in backlight switches or buttons in cars. The polyamide has now been used in a car interior for the first time – for the window regulators of a German automotive manufacturer. Ultramid® Vision can be repeatedly exposed to aggressive media such as sun cream, cleaning agents and solvents without sustaining damage. The polyamide thus offers designers and developers a broad range of possibilities for realizing design features and lighting elements not only in car interiors, but in various consumer and industrial applications as well.

The new insulation material Cavipor® FTX 1 combines the advantages of a mineral-based insulation material with the easy, safe and clean processability of a foam system. Cavipor® FTX 1 offers an insulation performance comparable to mineral wool and expanded polystyrene (EPS) and is particularly suitable for the energetic renovation of buildings with double-wall masonry. One of its main advantages is how simple it is to process: The three aqueous initial components are aerated at the site, resulting in a flowable foam free from dust and fibers. It is then injected into the cavity of the wall. There, the foam cures and dries without further expansion, fixing it as a seamless insulating layer. These process advantages, plus the fact that Cavipor® FTX 1 is non-combustible, fiber-free and low-emission, make it a groundbreaking innovation.

Industrial Solutions: Preventing coatings from yellowing is key for automotive refinishing coatings. Basonat® HI NG is an aliphatic polyisocyanate hardener for two-component polyurethane (2C PU) coatings. It provides outstanding durability and resistance against light and weather, enabling complex formulations with significantly reduced yellowing compared with standard HI-grade hardeners. With this new product, BASF fulfills the market’s highest technical performance requirements.

Modern farming faces many challenges, including how to balance the need for greater yields of fruits and vegetables, while simultaneously meeting the ever-stringent environmental protection requirements of organic food production. The light and heat stabilizer Tinuvin® NOR® 356 protects and extends the life of agricultural films that are exposed to very high levels of ultraviolet radiation, heat and crop treatments such as elemental sulfur and the compounds approved in certified organic farming to prevent plant diseases and fertilize the soil. The improved film protection and longer life of NOR®-stabilized greenhouse covers increase productivity, improve crop quality and reduce plastic waste for farmers, which makes them more competitive.

Surface Technologies: Styrene is a building block of the plastics industry. With the recently launched styrene catalyst StyroStar® S6-42 Select, BASF has brought to market an innovation that reduces the formation of by-products such as benzene and toluene thanks to improved selectivity. StyroStar® S6-42 Select is a robust and durable catalyst, combining excellent mechanical stability with exceptional performance.

Together with Lufthansa Technik AG, Hamburg, Germany, BASF has developed a functional film that helps to reduce carbon emissions from air travel. The film has a unique surface structure consisting of riblets of around 50 micrometers in size. These reduce drag and thereby optimize the aerodynamics on the relevant parts of the aircraft. This can reduce fuel consumption and the resulting carbon emissions by up to 3%. The film is exposed to strong ultraviolet radiation at high altitudes and extreme variations in temperature. BASF therefore put a high priority on durability in addition to aerodynamics, during the development process. The technology can be used on all aircraft types, including older models.
Nutrition & Care: Nephydrat® is a bioactive ingredient that supports the skin's barrier function and helps it to retain moisture, creating an even, fresh complexion. BASF sources the active ingredient from the spiny peel of the rambutan fruit, grown organically in close cooperation with local partners in Vietnam as part of a socially and environmentally responsible supply chain. Nephydrat® is preservative-free, 100% natural origin and certified according to the COSMOS standard for organic and natural cosmetics.

BASF has launched two digital virtual assistants to cover key customer needs: ZoomLab™ and RegXcellence™. The formulation assistant ZoomLab™ predicts optimized formulations of pharmaceutical drugs faster and with more precision than is possible today. Finding the right combination and balance between the active pharmaceutical ingredient and excipients to optimize drug performance is immensely time and resource consuming. Depending on the properties of the active ingredient and the intended dosage, ZoomLab™ predicts the best excipients. In addition, ZoomLab™ provides an intuitive rating system describing the suitability of an excipient as well as formulation tips to make the process run smoothly. This allows for a much higher precision, speed and reduction of ingredients used in the drug development process. RegXcellence™ makes registration processes seamless, saving customers time and costs during important milestones such as qualification of ingredients and market authorization of their drugs.

Agricultural Solutions: At BASF, we believe in finding the right balance for success. We believe that with our connected offer, we can achieve this for the environment, society and agriculture alike. We continually invest to expand our portfolio, focusing our research activities on strategic crop combinations, known as crop systems. In 2019, we invested €879 million in research and development in the Agricultural Solutions division, representing around 11% of sales for the segment.

Our well-stocked innovation pipeline now has an even stronger focus on sustainable solutions. It comprises seeds and traits, chemical and biological crop protection, digital and regionally tailored products and solutions. We estimate the peak sales potential of products with launch dates between 2019 and 2029 to be more than €7.5 billion. More than 30 pipeline products will be launched worldwide by 2029. These will enable higher yields and quality and even more sustainable production. In 2019, we successfully launched our new fungicide Revysol®. It meets the highest level of regulatory standards and offers outstanding biological performance against a range of difficult-to-control pathogens in specialty and row crops. Luximo® and Tirexor®, our herbicides to manage difficult-to-control grasses and broadleaf weeds, are expected to enter the market from 2020 onward. Broflanilide, our insecticide to help farmers protect specialty and field crops from insects such as potato beetles and caterpillars, is scheduled for market launch from 2020. We also launched Poncho® Votivo® 2.0 seed treatment in 2019. It includes a systemic insecticide and two biological components to control insect pests and protect corn (maize) seed from disease-causing nematodes.

For seeds and traits, we will further strengthen our innovation pipeline with new traits, including the soybean technology in our LibertyLink® GT27™ trait platform2 that has been available to growers under the Credenz® brand as well as under licensee brands since 2019. Future launches will also include proprietary stacks offering resistance to nematode and Asian soybean rust. New traits to increase yields and stress resistance in soybean and corn (maize)3 are under development. We are constantly improving the seed genetics and trait innovations for our FiberMax® and Stonerville® cotton brands, for example with a proprietary herbicide tolerance product, which will be launched before mid-decade. New breeding tools will continue to speed up our innovation cycles for InVigor® canola seed. LibertyLink® yellow-seed canola can be grown under more challenging conditions and will provide new rotation options for wheat growers in drier areas of North America. From mid-decade, hybrid wheat seed will help growers in North America and Europe to optimize yield, production stability and grain quality, as well as to improve profitability and sustainability. Recently launched vegetable seed innovations contribute to a healthy lifestyle and help reduce the environmental impact of food production. Innovative breeding processes ensure a constant supply of commercially successful vegetable seed varieties, mainly marketed under the Nunhems® brand.

BASF will also apply precision technologies and digitalization to seize future innovation opportunities in agriculture. This includes new, outcome-based business models marketed under the xarvio® brand. These will enable farmers to achieve yield forecasts that have been agreed in advance.
Integration of Sustainability

We are successful in the long term when we create value added for the environment, society and the economy with products, solutions and technologies. Sustainability is firmly anchored in our corporate strategy. Using the various tools of our sustainability management, we carry out our company purpose: “We create chemistry for a sustainable future.” We systematically incorporate sustainability into our business and our compensation systems. We identify sustainability trends at an early stage and derive appropriate measures for our business to seize new business opportunities and minimize risks along the value chain.

Strategy

- Sustainability as part of steering, compensation systems and business models
- Updated materiality matrix shows key sustainability topics

We achieve long-term business success by creating value added for the environment, society and the economy. Sustainability is at the core of what we do, a driver for growth and value as well as an element of our risk management. That is why sustainability is firmly anchored into the organization as part of governance, compensation systems and business models.

Based on our corporate strategy and the global targets derived from this, from the 2020 business year onward, we will integrate the sustainability targets (CO₂-neutral growth until 2030 and achieve €22 billion in Accelerator sales by 2025) into short-term Group-level steering as well, as most important key performance indicators. We started to establish the necessary steering mechanisms and control systems in 2019.

Materiality analysis to identify and assess sustainability topics

We present the relevance of sustainability topics for our stakeholders and the impact of these topics on our business in a materiality matrix. We selected and clustered key sustainability topics from a list of around 100 potentially relevant topics identified using tools such as the Value to Society approach.

The relevance of these topics for our stakeholders was assessed using a big data analysis, based on external publications. The results were complemented and confirmed by surveys and interviews with external experts.

Business units were surveyed to determine the impacts of sustainability topics on BASF. The evaluation also took into account the result of an analysis where business units assessed the positive and negative impacts of individual sustainability trends on their business. This analysis was based on a metastudy on sustainability trends.

We also validate the impacts of our business activities along the value chain with our Value to Society approach. This enables us to quantify positive and negative impacts along the value chain in monetary terms (see page 37). Topics with impacts that cannot be expressed in monetary terms, or only with difficulty (for example, human rights), are included based on expert assessments. Our stakeholders also confirmed the materiality of the nonfinancial topics that the Value to Society approach identified as having an impact along the value chain.

The societal challenges that we have identified as having an impact on our business, and which we also have impact on, are therefore material within the meaning of the Nonfinancial Statement.

For more information on our Value to Society approach, see basf.com/en/value-to-society
For more information on the metastudy on sustainability trends, see basf.com/sustainability-trends
In addition to the two climate protection and Accelerator sales targets, we have also set ourselves further sustainability targets on responsible procurement, engaged employees, women in leadership positions, occupational health and safety, process safety and water management.

We help our customers to be more sustainable and develop sustainable solutions to grow our customer relationships and attract new customers. One example of this is the ChemCycling™ project to drive forward chemical recycling of plastic waste and in this way, strengthen the circular economy for plastics (see page 105). We want to promote societal acceptance of our business activities by acting in a responsible, resource-conserving, respectful, safe and efficient way.

Our products, solutions and technologies help to achieve the United Nations’ Sustainable Development Goals (SDGs), for example through climate protection measures. We also contribute to other goals, such as No poverty (SDG 1) and Zero hunger (SDG 2), Good health and well-being (SDG 3), and Clean water and sanitation (SDG 6).

In 2019, we updated our materiality analysis, which is used to identify and evaluate sustainability topics. Based on this analysis, our material topics include climate and energy, health and safety/product stewardship, and human rights (see box on page 36). We integrate these material topics into our long-term steering and operational management processes. They are also reflected in the focus areas for our reporting. We continuously monitor and assess emerging sustainability topics so that we can adapt steering and management processes as needed.

We are constantly working to broaden our positive impact on key sustainability topics and reduce the negative impact of our business activities. The integration of sustainability into core business activities and decision-making processes is steered by the Corporate Development unit, which is part of the Corporate Center as of 2020 (see page 20). From 2020 onward, we will also bundle the global steering of climate-related matters in this unit, such as the coordination of measures to reach our climate protection target. The Board of Executive Directors is regularly informed of the current status of individual sustainability topics as well as of sustainability assessments as part of other business processes (such as investment plans), makes decisions on these with strategic relevance for the Group, and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of the heads of business, corporate and functional units, and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.

We also established an external, independent Stakeholder Advisory Council in 2013. Here, international experts from academia and society contribute their perspectives to discussions with BASF’s Board of Executive Directors, helping us expand our strengths and address potential for improvement.

We systematically evaluate sustainability criteria as an integral part of decisions on acquisitions and investments in property, plant and equipment or financial assets. In this way, we not only assess economic dimensions, but also the potential impacts on areas such as the environment, human rights or the local community.

We want to measure the value proposition of our actions along the entire value chain. We are aware that our business activities have an impact on the environment and society, and so we strive to increase our positive contribution and minimize the negative effects of our business activities.

To achieve this, we need to even better understand how our actions impact society and the environment. We already have many years of experience of this from evaluating our products and processes using methods such as Eco-Efficiency Analysis, the Sustainable Solution Steering portfolio analysis, or BASF’s corporate carbon footprint. The methodology of the SEEbalance® analysis to evaluate the sustainability of different product and process alternatives was enhanced and refined in 2019. The social analysis component now contains two modules, which we use to assess social risks along the value chain and identify negative impacts on the United Nations’ Sustainable Development Goals.

We also developed a method together with external experts to perform a monetary assessment of the economic, ecological, and social impacts of our business activities along the value chain – the Value to Society approach. This allows us to compare the significance of financial and nonfinancial effects of our business activities...
on society and show interdependencies. The results of these assessments are helpful in our discussions with stakeholders.

In 2019, we founded the value balancing alliance e.V. together with other international companies. With the support of major auditing firms, the Organisation for Economic Co-operation and Development (OECD), leading universities and other partners, the cross-industry alliance aims to develop an accounting and reporting standard within the next three years that makes the value companies provide to society transparent and comparable. The aim is to present the financial, ecological, and social impacts of business activities in monetary terms on the basis of a standardized, uniform framework.

We contribute our approach and expertise to debates on assessing the monetary value of the economic, ecological and social impact of business decisions on an ongoing basis. We share our experiences in networks and initiatives such as the Impact Valuation Roundtable. We are also involved in the corresponding standardization processes within the International Organization for Standardization (ISO).

Steering of product portfolio based on sustainability performance

- Increase sales from Accelerator products

A significant steering tool for our product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method. By the end of the 2019 business year, we had conducted sustainability analyses and assessments for 96.3% of our relevant portfolio of more than 50,000 specific product applications, accounting for €51.9 billion in sales. These consider the products’ application in various markets and sectors. New market requirements arise as a result of the continuous development of new product solutions in the industry or changing regulatory frameworks. This has an effect on comparative assessments, which is why we regularly re-assess our product portfolio.

Transparency in classifying our products on the basis of their contribution to sustainability enables us to systematically improve them. Accelerator products make a substantial sustainability contribution in the value chain. Based on our corporate strategy, we have therefore set ourselves a global target: We aim to make sustainability an even greater part of our innovation power and achieve €22 billion in Accelerator sales by 2025. In 2019, we achieved sales of €15.0 billion with Accelerator products (2018: €14.3 billion). The construction chemicals activities, which are presented as discontinued operations, are no longer taken into account. The resulting decline in sales of Accelerator products was however offset by the first-time assessment of the strategically relevant trading business portfolio. At the same time, this first-time segmentation increased sales of Transitioner products.

If, during re-assessment of our portfolio, we identify products with substantial sustainability concerns, we classify these as “Challenged.” We develop and implement action plans for all products in this category. These action plans include research projects and reformulations to optimize products, or even replacing the product with an alternative.

Classification of relevant portfolio according to the Sustainable Solution Steering method

For more information on this method and the results of Value to Society, see basf.com/en/value-to-society
For more information on our sustainability tools, see basf.com/en/measurement-methods
For more information on value balancing alliance e.V., see value-balancing.com

1 The relevant portfolio is defined in the Sustainable Solution Steering Manual at basf.com/en/sustainable-solution-steering
2 Excluding the construction chemicals activities presented as discontinued operations; the figures for 2018 have been adjusted accordingly
To systematically align our portfolio with contributions to sustainability, as of 2018, we will phase out all Challenged products within five years of initial classification as such at the latest. We strive to offer products that make a greater contribution to sustainability in their area of application to live up to our own commitments and meet our customers’ demands. This is why our Sustainable Solution Steering method is used in areas such as our research and development pipeline, in business strategies as well as in merger and acquisition projects.

To pursu[e] in order to establish and maintain trust and build partnerhs, and ince societ accept for and the sustainability of our business activities. For important topics, we systematically identify key stakeholders to discuss critical questions with them.

Relevant considerations include topic-specific expertise and willingness to engage in constructive dialog.

We draw on the competence of global initiatives and networks, and contribute our own expertise. We are active in worldwide initiatives with various stakeholder groups. These include the Business for Inclusive Growth initiative, which was established in 2019 by a coalition of 40 international companies who have joined forces with the G7 countries and the OECD to strengthen equality of opportunity, and tackle regional disparities and gender discrimination. We also have been a member of the U.N. Global Compact since its establishment in 2000. As a recognized LEAD company, we contribute to the implementation of the Agenda 2030 and the associated goals. We support projects such as the U.N. Global Compact's Action Platforms on Decent Work in Global Supply Chains (SDG 8) and on Good Health and Well-being (SDG 3), and are a member of the U.N. Global Compact Expert Network. In addition, BASF is a founding member of a global sustainable finance initiative launched in December 2019 by a CFO taskforce. BASF is also active in 15 local Global Compact networks.

In 2019, we once again met with the Stakeholder Advisory Council to discuss important aspects of sustainability. The main topics were identifying our material topics, the materiality analysis, impact valuation, and the issues of climate protection and human rights. We received valuable recommendations. For example, the Stakeholder Advisory Council suggested we approach our activities on the issue of human rights more systematically. We implemented the recommendation in 2019 with the publication of the new human rights position, a first gap analysis and the systematic presentation of our due diligence process.

Our political advocacy is conducted in accordance with transparent guidelines and our publicly stated positions. The same applies to our activities in associations. For instance, in 2019 we published an Industry Associations Review comparing the energy and climate protection positions of BASF and the most important associations of which we are a member, with explanations on our approach.

BASF does not financially support political parties. In the United States, employees at BASF Corporation have exercised their right to establish a Political Action Committee (PAC). The BASF Corporation Employee PAC is a voluntary, federally registered employee association founded in 1998. It collects donations for
**Responsibility for human rights**

- **New human rights position resolved by Board of Executive Directors and published**

BASF acknowledges its responsibility to respect internationally recognized human rights. We have embodied this into our Code of Conduct and our human rights position. In 2019, we updated our human rights position based on the U.N. Guiding Principles on Business and Human Rights. All employees and members of management bodies are responsible for ensuring that we act in accordance with our Code of Conduct and our human rights position. We uphold our standards worldwide, even where they exceed local legal requirements. We avoid causing or contributing to adverse human rights impacts through our own operations.

From 2020 onward, our Compliance organization will steer the topic of human rights and develop binding policies. A group of internal experts from different specialist units will also meet regularly to coordinate relevant topics across units. This group will serve an advisory function for issues such as conflicting goals, will develop and implement specific training, and ensure that due diligence structures and processes are in place. To systematically incorporate external expertise, we decided to establish a Human Rights Advisory Council with independent, international human rights experts in 2020. Our Stakeholder Advisory Council also brings external perspectives to discussions with the Board of Executive Directors. We see assuming our human rights responsibilities as a continuous process. This is why we continuously review our policies and processes and update them if necessary.

We want to ensure that our actions do not have a negative impact on human rights. We have long used monitoring and management systems such as health, safety, product stewardship or labor and social standards to identify potential and actual negative impacts. Evaluating potential human rights impacts is an integral part of risks analyses, for example for investment projects or product assessments. In 2019, we additionally conducted a comprehensive human rights compliance assessment, developed by the Danish Institute for Human Rights. This assessment covers international human rights standards as well as potential impacts on our stakeholders. We perform due diligence processes on the basis of this.

Our measures and criteria for monitoring and complying with human rights are integrated into the supplier evaluation processes; our global monitoring systems for environmental protection, safety and security, health protection and product stewardship; the evaluation of investment, acquisition and divestiture projects; assessments along the product lifecycle; training for security personnel at our sites; and systems to monitor labor and social standards.

As an internationally operating company, we are embedded in many societies and engage with partners around the world. We rely on our partners (joint venture partners, contractors, suppliers, and customers), expect them to comply with internationally recognized human rights standards and to replicate them further along the value chain with their subsequent partners. For instance, we contractually agreed with our two joint venture partners in the Chinese region of Xinjiang that the basis for joint activities is the BASF Code of Conduct and the requirements embedded in it to respect human rights and relevant labor and social standards (such as the exclusion of forced labor and discrimination in hiring, promotion and dismissal practices). We review this on a regular basis with audits. We support our partners in their efforts to meet their respective responsibilities. Together, we strive to avoid harm to human rights along our value chain. We have defined our expectations in a binding Supplier Code of Conduct.

Employees and third parties can report potential violations of laws or company guidelines to our compliance hotlines. In 2019, 228 human rights-related complaints were received by phone as well as by post and e-mail. All complaints received were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken.
For many years now, we have engaged in constructive dialog on human rights with other companies, nongovernmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI), a group of globally operating companies from various sectors. The initiative aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. We report on our global targets, monitoring systems and measures to integrate human rights topics into our business activities in publications such as this report and online.

We foster social integration, particularly of low-achieving young people and refugees, with programs such as Start in den Beruf and Start Integration. In 2019, 151 young people in the BASF Training Verbund participated in these two programs in cooperation with partner companies in the Rhein-Neckar metropolitan region. The goal is to prepare participants for an apprenticeship within one year, and ultimately secure the long-term supply of qualified employees for BASF and in the region as a whole. Since being launched at the end of 2015, BASF’s Start Integration program has supported around 380 refugees with a high probability of being granted the right to remain in Germany, helping to integrate them into the labor market. We spent around €3.4 million on the BASF Training Verbund in 2019.

Two other examples of BASF’s impact-driven social engagement are its activities in India and Indonesia. In Mauk, Indonesia, we initiated a school project in cooperation with local authorities and the nonprofit organization Habitat for Humanity. The targeted use of digital media improves teaching and learning conditions for young people and helps to modernize and improve access to education. At our Dahej and Mangalore sites in India, we support projects with a focus on clean water, sanitation and education. For example, we sponsored the construction of toilets and an accompanying educational program to strengthen community awareness. Better hygiene and sanitation help prevent the spread of disease.

We also aim to create long-term value for BASF and society with new business models and cross-industry partnerships. Our Starting Ventures program helps people with precarious livelihoods to improve their income-earning opportunities and their quality of life. At the same time, the program provides access to new markets and strengthens our contribution to reaching the SDGs.

In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. organizations. In 2019, BASF supported a project spearheaded by the U.N. Children’s Fund (UNICEF) to construct a youth center for young Rohingya refugees in Bangladesh with its annual year-end donation campaign to the BASF Stiftung. In total, €359,987.00 was raised for the UNICEF project from donations by the employees of participating German Group companies and BASF.

The BASF Group spent a total of €32.0 million supporting projects in 2019; we donated 42.5% of this amount (2018: €38.4 million, of which 39% were donations).

Social commitment

- **BASF as a responsible neighbor**
- **Contribution to the United Nations’ Sustainable Development Goals**

Our social commitment helps to achieve the U.N. SDGs. As part of our social engagement strategy, we focus on projects that will have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and BASF. For instance, we have supported Wissensfabrik, an initiative of German businesses to promote education and entrepreneurship, for over 10 years.