

# Overview

GRI 2

**The Management's Report comprises the chapter of the same name on pages 16 to 167, as well as the disclosures required by takeover law and the Declaration of Corporate Governance. These are presented in the Corporate Governance chapter. The Nonfinancial Statement (NFS) is integrated into the Management's Report.**

## NFS in accordance with sections 315b and 315c of the German Commercial Code (HGB)

The NFS disclosures can be found in the relevant sections of the Management's Report and have been prepared in accordance with the appropriate frameworks: the Global Reporting Initiative Standards and the reporting requirements of the U.N. Global Compact. The table on the following page shows the sections and subsections in which the individual disclosures can be found. In addition to a description of the business model, the NFS includes disclosures on the following matters, to the extent that they are required to understand the development and performance of the business, the Group's position and the impact of business development on the following matters: environmental matters, employee-related matters, social matters, respect for human rights, anti-corruption and bribery matters.

In accordance with the E.U. Taxonomy Regulation and the supplementary delegated acts, the NFS includes the proportion of the Group's taxonomy-eligible and, for the first time, our Group-wide taxonomy-aligned turnover, capital expenditures (including acquisitions and excluding goodwill in accordance with the E.U. taxonomy) and operating expenditures for the 2022 business year. This applies to the environmental objectives of climate change mitigation and adaptation to climate change currently addressed in the E.U. taxonomy.

Within the scope of the annual audit, KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a limited assurance of the NFS. An assurance statement of the limited assurance can be found online at [basf.com/nfs-audit-2022](https://basf.com/nfs-audit-2022). The assurance was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international assurance standards for sustainability reporting.

## Disclosures required by takeover law in accordance with section 315a HGB

The disclosures required by takeover law in accordance with section 315a of the German Commercial Code (HGB) can be found in the Corporate Governance chapter starting on page 168. They form part of the Management's Report, which is audited as part of the annual audit.

## Compensation Report

The Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) is publicly available on the BASF website together with the assurance statement of the substantive and formal audit issued by the auditor.

 The Compensation Report is available online at [basf.com/compensationreport](https://basf.com/compensationreport)

## Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB





The Consolidated Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB can be found in the Corporate Governance chapter from page 194 onward and is a component of the Management's Report. It

comprises the Corporate Governance Report, including the description of the diversity concept for the composition of the Board of Executive Directors and the Supervisory Board (excluding the disclosures required by takeover law in accordance with section 315a HGB), compliance reporting and the Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act. Pursuant to section 317(2) sentence 6 HGB, the auditor checked that the disclosures according to section 315d HGB were made.

## Recommendations of the Task Force on Climate-related Financial Disclosures

BASF supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Disclosures recommended by the TCFD are presented in a number of places throughout this report. The table on page 19 shows the sections and subsections in which the relevant information can be found. The table is divided into four key areas in line with the TCFD recommendations: governance, strategy, risk management, and metrics and targets.

## Symbols, captions and QR codes

-  You can find more information in this report.
  -  You can find more information online. The content of these links are voluntary disclosures that were not audited by the auditor.
  -  The content of this section is not part of the statutory audit but has undergone a separate limited assurance by our auditor.
  -  The content of this section is voluntary, unaudited information, which was critically read by the auditor.
- Captions, links and the information contained on linked websites, and QR codes are not part of the audit.

## Outputs

Financial	Innovation	Operations	Environment	Employees	Partnerships
€6.9 billion EBIT before special items	~1,000 New patents worldwide	~45,000 Sales products	>1,000 Mass balance products based on alternative raw materials	81% Engagement index according to 2022 employee survey	1,042 Suppliers screened through Together for Sustainability
€3.0 billion Proposed dividend payment to shareholders <sup>1</sup>	~€12 billion Sales of products that have been on the market for up to five years	6.2 MMT CO <sub>2</sub> avoided through Verbund and combined heat and power generation	79% Water demand recirculated	27.2% Women in leadership positions	~60 Strategic customer networks



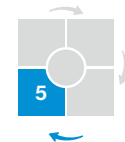
## Outcomes<sup>2</sup>

Economic	Environmental	Social
<p><b>We make positive contributions by</b></p> <ul style="list-style-type: none"> <li>Driving forward growth, progress and value creation</li> <li>Strengthening our customers' competitiveness and innovative strength</li> <li>Accelerating the digital transformation of the industry</li> <li>Offering our investors an attractive dividend yield</li> </ul> <p><b>Potential negative impacts</b></p> <ul style="list-style-type: none"> <li>Weaker growth stimulus as a result of the slowing economy, the war in Ukraine, the coronavirus pandemic and global trade conflicts</li> <li>A weaker share performance</li> </ul> <p><b>Our countermeasures</b></p> <ul style="list-style-type: none"> <li>Disciplined implementation of our corporate strategy</li> <li>Systematic cost management</li> <li>Active portfolio management</li> <li>Optimizing the cost of capital</li> </ul>	<p><b>We make positive contributions by creating products that</b></p> <ul style="list-style-type: none"> <li>Contribute to climate protection</li> <li>Conserve resources, avoid waste and strengthen circularity</li> <li>Pave the way for climate-smart mobility</li> <li>Are environmentally friendly and safe to use</li> </ul> <p><b>Negative impacts</b></p> <ul style="list-style-type: none"> <li>The emission of CO<sub>2</sub> and other gases that affect the climate</li> <li>Resource consumption and non-recyclable waste</li> <li>Potential misuse or spillage of products</li> </ul> <p><b>Our countermeasures</b></p> <ul style="list-style-type: none"> <li>Carbon management</li> <li>Circular Economy Program</li> <li>Sustainable water and energy management</li> <li>Responsible Care management (including product stewardship)</li> </ul>	<p><b>We make positive contributions because we</b></p> <ul style="list-style-type: none"> <li>Offer products that improve people's quality of life</li> <li>Provide attractive jobs and promote diversity</li> <li>Pay taxes and competitive wages and salaries</li> <li>Promote integration and help overcome social challenges</li> </ul> <p><b>Potential negative impacts</b></p> <ul style="list-style-type: none"> <li>Risk of violation of labor, environmental and social standards in the production of the raw materials we procure</li> <li>Personnel adjustments</li> </ul> <p><b>Our countermeasures</b></p> <ul style="list-style-type: none"> <li>Careful selection, evaluation and development of suppliers</li> <li>Projects to improve sustainability in the supply chains</li> <li>Compliance Program and Code of Conduct</li> <li>Employee training programs</li> </ul>



## Impact

We achieve long-term business success by creating value for our shareholders, our company, the environment and society (see [basf.com/en/value-to-society](https://basf.com/en/value-to-society))



<sup>1</sup> Based on the dividend proposed by the Board of Executive Directors and the number of outstanding shares as of December 31, 2022 (893,854,929)  
<sup>2</sup> The outcomes category shows examples of positive contributions as well as negative impacts and the measures we take to mitigate them.



BASF welcomes all talents regardless of gender, cultural, religious or social background, sexual orientation or identity, origin or physical integrity. BASF also shows its colors during Pride Month and raises the rainbow flag at many sites around the world as a sign of openness, diversity, tolerance and respect.

Material topics in focus:

## Our Values and Global Standards

**We want to help change the world for the better. This is what drives us and is at the core of our corporate purpose: We create chemistry for a sustainable future. How we act is critical. BASF's four corporate values serve as a compass for us worldwide and are simultaneously an expression of our ambitions and our shared identity.**

Together with our Code of Conduct and our global standards, our CORE values lay the foundation for responsible conduct and trust-based relationships with our stakeholders. They define how we want to work together – as a team, with our customers and our partners:

- **C – 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.
- **O – 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 setbacks.
- **R – 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.
- **E – 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.

Our standards are based on, and in some cases, exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:

- The Universal Declaration of Human Rights and the two U.N. Human Rights Covenants
- The 10 principles of the U.N. Global Compact
- The core labor standards of the ILO and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- The OECD Guidelines for Multinational Enterprises

- The Responsible Care® Global Charter
- The German Corporate Governance Code

We stipulate binding rules for our employees with our standards and guidelines that apply throughout the Group. Our aim is to prevent compliance violations from the outset through compulsory training for all employees and special training for leaders. The Corporate Audit department continuously monitors compliance with requirements. We regularly assess our performance in environmental protection, health and safety as part of our Responsible Care Management System. We realize our responsibility to behave in accordance with international and social standards largely in three ways: through our Compliance Program, including our Code of Conduct and compliance hotlines, through close dialog with stakeholders and through the global management process to respect international labor norms. We pursue sustainability-oriented supply chain management and expect our business partners to comply with prevailing laws, regulations and internationally recognized principles. Here, too, we have established appropriate monitoring systems.]

For more information on human and labor rights, see page 109 onward

For more information on compliance, see page 179 onward

For more information on responsible procurement and the German Supply Chain Due Diligence Act, see page 114 onward

For more information on the Responsible Care Management System, see page 123 onward

to other environmental objectives were reviewed in a three-step process. The **first step** involved a two-part analysis based on BASF's internal product databases:

- The manufacture of products is analyzed with respect to the use of critical substances in accordance with Annex C<sup>1</sup> of the E.U. Commission's Delegated Regulation 2021/2139 to ensure significant pollution prevention or control according to the E.U. taxonomy. This also includes use in the production process. An assessment of the "essential use" of the critical substances used in the sense of the opening clauses according to Annex C, letters f) and g) has not been performed. The E.U. Commission announced further regulations on this in 2023.
- Plastics in primary form are analyzed with respect to the share of renewable raw materials in the product. They are only considered further if this share is at least 5% and thus potentially make a substantial contribution to climate change mitigation through partial or complete production from renewable raw materials. Shares allocated using mass balance approaches (see page 121) are not taken into account here because their acceptance under the E.U. taxonomy has not yet been definitively clarified. For this reason, BASF products based on chemically recycled raw materials are not considered further in the assessment at present either. Mechanical recycling does not play any role for BASF here.

In the **second step**, it was assessed whether the potentially taxonomy-aligned products make a substantial contribution to climate change mitigation in accordance with the activity-specific criteria. Among other things, the greenhouse gas emissions of European and non-European plants to produce soda ash, organic basic chemicals and nitric acid were compared with the average values of the most efficient plants under the E.U. emissions trading system. For the production of hydrogen, chlorine, ammonia and plastics in primary form, the comparison was against activity-specific quantitative criteria, such as the energy or emission intensity of a product. This was based on a digital solution developed by BASF to determine product-specific carbon emissions (see page 140).

<sup>1</sup> Generic criteria for DNSH to pollution prevention and control regarding use and presence of chemicals

<sup>2</sup> Protection of water and marine resources is taken as given at sites that do not use or treat water.

<sup>3</sup> A radius of 3 km around production sites was defined for the analysis of biodiversity-sensitive areas.

Finally, in the **third step** of the process, it was assessed whether the products identified cause significant harm to the other environmental objectives. This included an analysis of risks arising from climate change using climate risk and vulnerability assessments. At sites with material climate risk, the existence of adaptation solutions was additionally analyzed and evaluated. The avoidance of significant harm to water and marine resources,<sup>2</sup> biodiversity and ecosystems,<sup>3</sup> and pollution prevention and control were taken as given for production plants in Europe based on comprehensive and uniform regulatory requirements and additionally ensured through data queries. The conformity of non-European plants was assessed on a case-by-case basis. This was based on joint assessments by local and central experts using the evidence of local production requirements submitted.

The criteria for the **minimum social safeguards** as a further pillar of taxonomy alignment in accordance with Article 18 of the E.U. Taxonomy Regulation were reviewed for all activities across the BASF Group, independent of the step-by-step process for the "contribution to climate change mitigation" and "harm to other environmental objectives" criteria.

The recommendations of the E.U. Platform on Sustainable Finance of October 2022 on the four core topics of human rights (including labor rights), corruption/bribery, taxation and fair competition were taken into account here. Minimum social safeguards are to be ensured by a systematic, integrated and risk-based approach to safeguarding our human rights due diligence obligations (see page 109), by global labor and social standards (see page 110), and by the Supplier Code of Conduct (see page 115), among other things.

Taxonomy-aligned turnover accounted for 0.4% of the total sales revenue defined and reported in the BASF Group's Consolidated Financial Statements in 2022. The "manufacture of organic basic chemicals" made the largest contribution (0.3%). Taxonomy-aligned capital expenditures (including acquisitions and excluding goodwill in accordance with the E.U. taxonomy) accounted for 0.5% of the

total investments reported in the Consolidated Financial Statements. The "manufacture of soda ash" contributed significantly here with 0.3%. Taxonomy-aligned operating expenditures accounted for 0.9% of total operating expenditures, with the largest contribution from the economic activity "manufacture of plastics in primary form" (0.5%). It is not possible to provide information on changes in taxonomy-aligned turnover, capital expenditures and operating expenditures as these are being reported for the first time in 2022.

The taxonomy-aligned figure is significantly lower than the taxonomy-eligible figure due to various factors. Only a small proportion of plastics in primary form contain a share of renewable raw materials above the threshold value. In many production processes, substances that fall within Annex C<sup>1</sup> are used to prevent or reduce pollution. As a result, these processes are no longer taxonomy-aligned, even if the substances are not released into the environment (for example, because they are exclusively used in a closed system in the production plant) and are used in accordance with existing chemicals legislation. This means, for example, that all production processes for the manufacture of battery materials must be assessed as not taxonomy-aligned. The proportion of taxonomy-aligned activities is also reduced by the fact that many plants exceed the benchmarks used by the E.U. taxonomy, such as the E.U. emissions trading scheme. In addition, plants that are not subject to emissions trading and thus cannot be assessed using the specified criteria were generally classified as not taxonomy-aligned.

 For more information on sales revenue, see Note 7 to the Consolidated Financial Statements from page 227 onward

For more information on investments, see Notes 14 and 15 to the Consolidated Financial Statements from page 242 onward





Projects such as the Pragati project on sustainable castor bean farming, founded by BASF together with Arkema, Jayant Agro-Organics and implementation partner Solidaridad, start on the ground to build specific expertise for sustainable and responsible supply chains

Material topics in focus:

## Responsibility for Human Rights, Labor and Social Standards

GRI 2, 3, 406, 407, 408, 409, 411, 413

SUPPLIERS

BASF

CUSTOMERS

**BASF acknowledges its responsibility to respect internationally recognized human rights. 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).**

### At a glance

- Human rights due diligence as a Group-wide task
- Systematic and extensive anchoring of human rights topics in company processes and culture
- Commitment to respecting international labor and social standards enshrined in our global Code of Conduct
- Chief Human Rights Officer appointed to oversee human rights risk management

### Strategy and organization

“We see human rights due diligence as an important, all-encompassing task that we can only perform by working together as a team throughout the entire organization. That is why we have embedded our responsibility for human rights into our Code of Conduct and set this out in our Policy Statement on Human Rights. We uphold our standards worldwide, including where they exceed local legal requirements. All employees and leaders are responsible for ensuring that we act in accordance with our Code of Conduct and our Policy Statement on Human Rights. In everything we do, we

are committed to complying with international labor and social standards.

We rely on a systematic, integrated, risk-based approach and **established monitoring and management systems**. BASF is also active in initiatives such as Together for Sustainability (TfS) and Responsible Care®, which promote sustainability in the supply chain. Our measures and criteria for monitoring and respecting human rights are integrated into supplier assessment processes and our global monitoring systems for environmental protection, safety and security, health protection and product stewardship (see page 114). They are also part of the evaluation of investment, acquisition and divestiture projects, assessments along the entire product life cycle, and systems to monitor labor and social standards. In addition, aspects of human rights topics are part of the global qualification requirements for security personnel and are incorporated into standard agreements with contractors.

Our compliance unit is responsible for steering human rights topics and coordinates cross-unit collaboration. As **Chief Human Rights Officer**, the head of our legal and compliance organization is responsible for overseeing human rights risk management. In our Human Rights Expert Working Group, representatives from various areas of our company work closely together to holistically assess

and refine our approach to human rights governance. It includes employees from specialist departments – Corporate Compliance (coordination), Global Procurement, Corporate Legal, Corporate Human Resources, Environmental Protection, Health, Safety and Quality, Corporate Strategy & Sustainability, Corporate Security, Digital and Procurement Governance, Corporate Communications and Governmental Relations – and our operating divisions. The expert working group provides support and advice in challenging and critical situations, on the development of internal processes, and on the creation of information and training offerings, among other things. In this way, we want to ensure that we approach our human rights responsibility holistically and that we can continually improve our performance.

### International labor and social standards

Our aim of acting responsibly toward our employees is embedded in our **global Code of Conduct** through our voluntary commitment to respecting international labor and social standards. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). In order to meet the requirement to comply with these standards worldwide, we mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the BASF guideline on compliance with international labor norms, which applies Group-wide. This guideline concretizes the topics in our global Code of Conduct under "Human rights, labor and social standards" as these relate to our employees. In 2022, an additional guideline specified that these topics must also be considered and applied when working with temporary employees and freelancers.

It forms the basis for our global, risk-based management process: We regularly monitor changes to the national law of all the countries

in which BASF operates and evaluate our adherence to international labor and social standards. If the national law contains no or lower requirements, action plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is part of our central due diligence system.

We monitor our voluntary commitment to international labor and social standards as part of our management process. As before, individual elements of the guideline are also reviewed as part of internal control processes such as Responsible Care audits at BASF Group companies. In addition to these quality assurance

### Good to know

## Human Rights Advisory Council

We established a Human Rights Advisory Council in 2020 to integrate external expertise. Its members include independent international human rights experts. The trust-based dialog on human rights topics helps us to better understand different perspectives and to deal more openly with critical situations. The meetings held in 2022, which were chaired by our Chief Compliance Officer, were attended by representatives from the Corporate Compliance and Corporate Strategy & Sustainability departments as well as other experts from the operating divisions or procurement as required. We maintained our dialog with the Human Rights Advisory Council in 2022, both with the body as a whole and in small groups. The Council provided an external perspective, for example, on the further development of our human rights position, on due diligence in challenging circumstances, and on the limits of corporate governance.

measures, compliance with international labor and social standards is an integral part of the standard questionnaire in the compliance management audits conducted by the Corporate Audit department.

[For more information on corporate governance and compliance, see page 168 onward](#)

[For more information on labor and social standards, see \[basf.com/labor\\\_social\\\_standards\]\(https://www.basf.com/labor\_social\_standards\)](https://www.basf.com/labor_social_standards)

### Cooperation along our value chains

As an international company, we are a part of society in the countries in which we operate and have business relationships with partners around the world. We are confronted by the fact that there are states that do not honor their obligation to protect human rights. People are particularly at risk in such countries, and companies' ability to act is often very limited. Here, too, we are committed to our values and contribute to the respect of human rights.

We have trustful working relationships with our partners (customers, suppliers, joint venture partners, contractors), expect them to comply with internationally recognized human rights standards and to expect the same of their partners further along the value chain. We work to ensure that our partners meet their respective responsibilities.

We can only achieve our goal of strengthening respect for human rights along our value chains if we work together. We have clearly defined our expectations in our Supplier Code of Conduct. We are in close contact with our business partners, especially in higher-risk areas and regions, and monitor the implementation of relevant standards and necessary measures for improvement. We use recognized assessments and audits to verify this. In 2022, we continued our work with our upstream supply chain, where we usually have no direct contractual relationships, less transparency and less influence. Here, we seek to increase our influence through collaboration with partners and stakeholders, and place importance on certifications such as the LBMA certificate for gold, the LPPM certificate for platinum group metals, and the Responsible Minerals Initiative's Responsible Minerals Assurance Process.

We work together with partners, civil society and in cross-sector initiatives. These include the Global Battery Alliance and the Roundtable on Sustainable Palm Oil. Projects often start on the ground to build specific expertise for sustainable and responsible supply chains. Examples include the Sustainable Castor Initiative – Pragati in India, the Responsible Lithium Partnership Initiative in Chile, the Responsible Mica Initiative in India and the Cobalt for Development pilot mining project in the Democratic Republic of Congo. In 2022, BASF, Syngenta and Arisa also worked together on a multi-stakeholder initiative in the vegetable seeds business in India. The initiative, WISH (Wage Improvements in Seed Hybrids), addresses the issue of child labor and compliance with minimum wage.

 For more information on standards in our supply chain, see page 114 onward

For more information on raw materials, see page 117 onward

### Further development of our organization and processes

We again initiated various measures to further strengthen our organization and processes in 2022. These measures are also important against the background of new regulations, especially the German Supply Chain Due Diligence Act (SCA). These include the appointment of BASF's Chief Human Rights Officer and the further development of our Policy Statement on Human Rights, including further explanations of our approach to human rights due diligence and priority risks for our company. Both of these measures were approved by the Board of Executive Directors in November 2022.

To strengthen due diligence in the supply chain, we have also enhanced and refined a range of measures, including supplier risk analysis as well as preventive measures such as the systematic business partner due diligence for new suppliers, our Supplier Code of Conduct, and the requirements to be embedded in suppliers' contracts. We continue to expect our suppliers to enforce our standards at their suppliers and subcontractors, too. Furthermore, the rights of third-party workers in high-risk countries will be even better protected in the future through additional due diligence steps. These include risk-based controls and measures that promote transparency and awareness of human rights issues.

We have also been able to analyze and confirm BASF's compliance with the specific environmental treaties covered by the SCA (Minamata, Stockholm, Basel) in countries that have not yet ratified these conventions.


### Information and awareness-raising measures, grievance mechanisms

Promoting awareness of human rights was again a focus topic in 2022. Workshop programs on this were held in our operating divisions. In addition, employees in all regions were informed about and sensitized to human rights topics through presentations and discussion formats for specific target groups.

Our grievance mechanisms, which we already improved in 2021 with the introduction of a standardized global hotline and reporting system, were also used in 2022. A total of 151 human rights-related complaints were received by phone as well as by post and e-mail (2021: 206). All complaints were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken. The 65 closed and justified cases were primarily harassment cases, followed by cases of discrimination. Our grievance channels did not identify any instances of child labor or forced labor.

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. [J](#)

 For more information on our production standards, see page 125 onward

 See [basf.com/humanrights](https://basf.com/humanrights) for more information on the Policy Statement on Human Rights and a comprehensive report on the implementation of due diligence in accordance with the requirements of the National Action Plan developed by the German government, and in accordance with the U.N. Guiding Principles on Business and Human Rights

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

## We Source Responsibly

As a global business, we have a responsibility to manage our supply chains carefully. We connect with our suppliers to source raw materials responsibly. Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, technical goods and services at competitive prices.

In this section:  
Supplier Management  
Raw Materials

### Supplier Management

GRI 2, 3, 204, 304, 308, 403, 407, 408, 409, 414

SUPPLIERS

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**BASF sources many raw materials, precursors, technical goods and services. Our suppliers are an important part of our value chain. Our objective is to create competitive advantages through our professional procurement structures, to establish stable and reliable supply chains, and at the same time, meet high ethical and environmental standards. Together with our suppliers, we want to improve sustainability in the supply chain and minimize risks.**

#### At a glance

**€54 billion**

global procurement spend

**85%**

of relevant spend<sup>1</sup> covered by sustainability evaluations

- Sustainability-oriented supply chain management
- Global targets to increase sustainability in the supply chain
- Supplier Code of Conduct creates transparency
- Risk-based evaluation with clearly defined follow-up processes

### Strategy and governance

Our procurement organization ensures a reliable supply of raw materials, energy, precursors, technical goods and services to BASF. Alongside economic and qualitative criteria, we also take environmental, social and ethical aspects into account in cooperating with our suppliers.<sup>2</sup>

Our sustainability-oriented supply chain management is an integral part of our risk management. We have defined our standards in a global guideline. We are continually refining and optimizing this guideline and our structures and processes in response to changing conditions, such as the new obligations arising from the German **Supply Chain Due Diligence Act (SCA)**, which requires large companies to conduct due diligence on human rights and certain environmental standards in their supply chains from January 1, 2023. In principle, this applies both to our own business operations and to direct and indirect suppliers. Based on a gap analysis of the new statutory due diligence obligations, we have further strengthened existing structures and processes and summarized our human rights positions in a policy statement (see page 109). The head of the legal and compliance organization was appointed Chief Human Rights Officer in 2022 and is responsible in this capacity for overseeing the supply chain risk management system. Our established supply chain management tools, such as our Supplier

Code of Conduct or the systematic risk-oriented assessment and auditing of suppliers, remain important elements and have been updated accordingly.

Procurement guidelines and targets are set centrally by the responsible Corporate Center unit and are binding for all employees with procurement responsibility worldwide. We use a multi-stage control process to ensure compliance with these requirements.

Our risk-based approach aims to identify and evaluate sustainability matters in our value chains as best possible to improve sustainability performance together with our suppliers. We regularly review and document progress based on the risk level. Procurement employees receive regular training in sustainability-oriented supplier management and responsible procurement. In 2022, around 1,400 employees received such training, covering the requirements arising from the SCA.

We depend on reliable and long-term supply relationships. Our expectations of our suppliers are laid down in the global Supplier Code of Conduct. We support suppliers in improving their sustainability performance, for example, through joint projects (see page 119) or by helping them to address shortcomings. Another example is our Supplier CO<sub>2</sub> Management Program launched in 2021, with which we aim to increase the transparency of upstream

<sup>1</sup> We understand relevant spend as procurement volumes with relevant suppliers. We define relevant suppliers as Tier 1 suppliers showing an elevated sustainability risk potential as identified by our risk matrices, our purchasers' assessments or other sources.

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



## Audit results

We carefully analyze the results of our assessments and document them in a central database. Over the past few years, we have identified some need for adjustment at our suppliers with respect to environmental, social and governance standards, for example in waste management, or deviations in occupational health and safety measures and standards under labor law. Follow-up audits performed in 2022 identified improvements in these areas. Again in 2022, none of our audits identified any instances of forced labor, child labor or dangerous work and overtime performed by persons under 18.

We maintained close dialog with our South African platinum supplier **Sibanye-Stillwater**<sup>1</sup> in 2022 on the results of the audit from 2020, the implementation of the resulting action plan, and other relevant topics. This includes working with stakeholders to take a unified approach to local community development. All the needs for adjustment identified in the 2020 audit had been addressed by the end of 2022. BASF and Sibanye-Stillwater have agreed that future audits will follow the Initiative for Responsible Mining Assurance (IRMA) mining standard. Sustainability topics are discussed on a quarterly basis. Sibanye-Stillwater is a member and supporter of the International Platinum Group Metals Association (IPA) sustainability initiative that was co-founded by BASF. Measures include conducting comprehensive sustainability audits and sharing factors for success. The regular dialog with stakeholders continued in 2022. In addition, Sibanye-Stillwater has directly involved relevant stakeholders in Germany and South Africa in its own stakeholder dialog.

In 2022, the war of aggression in Ukraine also impacted the business relationship with our Russian raw materials supplier **Nornickel**. This could not be continued to the extent planned. We nevertheless maintain regular dialog with Nornickel, are monitoring the situation and events from a sustainability perspective, and are in contact with civil society groups. Topics addressed include the findings from the mining-specific TfS audits. TfS audits were carried

out at Nornickel's site in Polar, Russia, in the fourth quarter of 2021. The results of these audits were discussed with Nornickel and follow-up measures were evaluated. Nornickel continues to seek membership in internationally recognized industry initiatives that provide third-party verification of mining and responsible procurement standards, such as IRMA or the International Council on Mining and Metals (ICMM). However, this is only possible to a limited extent in the current environment.

## Supplier development

If supplier assessments identify deviations from standards, we ask suppliers to develop and implement corrective measures within a reasonable time frame in a clearly defined follow-up process. We support them in their efforts. In South America, for example, over 300 employees of suppliers participated in a webinar on compliance and human rights in the supply chain. Together with Mercedes-Benz, we also organized a workshop in the region focusing on gender equality, which was attended by 22 logistics service providers. An important part of supplier development in 2022 was also the sustainability webinars held by TfS together with EcoVadis in various languages, with a total of over 1,900 participants. In addition, the new TfS Academy online learning platform is aimed at buyers and suppliers. It covers the entire spectrum of ESG topics. There are currently over 335 courses available in 10 different languages.

We review our suppliers' progress according to a defined time frame based on the sustainability risk identified, or after five years at the latest. In the case of serious violations of the standards defined in our Supplier Code of Conduct or international principles, we reserve the right to impose commercial sanctions. These can go as far as termination of the business relationship. In 2022, this happened in one case.

## Good to know

### Together for Sustainability (TfS)

BASF is a founding member of Together for Sustainability. The initiative was established in 2011 to improve sustainability in the supply chain. The focus is on the standardization, simplification and mutual recognition of supplier audits and assessments. Suppliers are evaluated by independent experts either in on-site audits or online assessments. The latter are conducted by EcoVadis, a ratings agency specialized in sustainability evaluations. At the end of 2022, TfS had 40 members with a combined procurement spend of around €400 billion. A total of 378 audits and 8,386 online assessments were performed in 2022. As a TfS member, BASF itself is assessed and in 2022 was again ranked among the top 1% companies worldwide in the sustainable procurement category. BASF is involved in the further development of TfS, for example, in activities to standardize the calculation of Scope 3 greenhouse gas emissions in the supply chain (see page 139).

<sup>1</sup> In 2012, an extended strike at a platinum mine in Marikana, South Africa, culminated in a violent confrontation between mine workers and armed South African police. Employees of the former mine operator, Lonmin, were among the fatalities. Ownership of the Marikana mine was transferred to Sibanye-Stillwater in 2019. For more information on the supplier relationship with the Sibanye-Stillwater mine, see [basf.com/en/marikana](https://basf.com/en/marikana)

# Corporate Governance Report

 2, 3, 40

**Corporate governance refers to the entire system for managing and supervising a company. This includes its organization, values, corporate principles and guidelines as well as internal and external control and monitoring mechanisms. Effective and transparent corporate governance ensures that BASF is managed and supervised responsibly with a focus on value creation and sustainability. It fosters the confidence of our investors, the financial markets, our customers and other business partners, employees, other groups affiliated with our company (stakeholders) as well as the public in BASF.**

The fundamental elements of BASF SE's corporate governance system are: its two-tier management system, with a transparent and effective separation of company management and supervision between BASF's Board of Executive Directors and the Supervisory Board; the equal representation of shareholders and employee representatives on the Supervisory Board; and the shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting.

## Board of Executive Directors

### At a glance

- Responsible for company management and represents BASF SE in business with third parties
- Sets goals and strategic direction
- Strictly separate from the Supervisory Board

### Direction and management by the Board of Executive Directors

The Board of Executive Directors is responsible for managing the company and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board, which monitors the Board of Executive Directors' activities and decides on its composition. A member of the Board of Executive Directors cannot simultaneously

be a member of the Supervisory Board. As the central duty of company management, the Board of Executive Directors defines the corporate goals and strategic direction of the BASF Group as well as its individual business areas, including the sustainability strategy. In doing so, the Board ensures that the risks and opportunities associated with social and environmental factors for our company as well as the ecological and societal impacts of BASF's activities are systematically identified and evaluated. In addition to long-term economic goals, the corporate strategy appropriately takes environmental and social objectives into account, too. The corporate planning defined on this basis comprises financial and sustainability-related goals.

Furthermore, the Board of Executive Directors determines the company's internal organization and decides on the composition of management positions on the levels below the Board. It also manages and monitors BASF Group business by planning and setting the corporate budget, allocating resources and management capacities, monitoring and making decisions on significant individual measures, and supervising operational management.

The Board's actions and decisions are geared toward the company's best interests. It is committed to the goal of sustainably increasing the company's value and developing the company over the long term, taking into account environmental and social goals as well as economic targets. The Board's responsibilities include the preparation of the Consolidated and Separate Financial Statements of BASF SE and reporting on the company's financial and nonfinancial performance as well as half-year and quarterly reporting. It must

also ensure that the company's activities comply with the applicable legislation and regulatory requirements, as well as internal corporate directives (compliance). This includes the establishment of appropriate systems for control, compliance and risk management as well as embedding a company-wide compliance culture with undisputed standards.

Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made and all important matters of the company are discussed at regularly held Board meetings called by the chair of the Board of Executive Directors. Board decisions are based on detailed information and analyses provided by the business areas and specialist units, and, if deemed necessary, by external consultants. The chair of the Board of Executive Directors leads the Board meetings. Board decisions can generally be made via a simple majority. In the case of a tied vote, the chair of the Board of Executive Directors gives the casting vote. However, the chair of the Board of Executive Directors cannot enforce a decision against the Board of Executive Directors' majority vote. The chair of the Board also does not have the right to veto. Outside of matters that are assigned to the entire Board for consultation and decision-making, all members of the Board of Executive Directors are authorized to make decisions individually in their designated areas of responsibility.

The Board of Executive Directors can set up Board committees to consult and decide on individual issues such as proposed material acquisition or divestiture projects or to prepare decisions to be

made by the entire Board. These must include at least three members of the Board of Executive Directors. For the preparation of important decisions, such as those on acquisitions, divestitures, investments and personnel, the Board has various commissions at the level below the Board. Independently of the affected business area, these committees thoroughly assess the planned measures and evaluate the associated opportunities and risks. Based on this information, they report and make recommendations to the Board.

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company's strategic orientation with the Supervisory Board.

The Statutes of BASF SE and the Supervisory Board have defined certain transactions that require the Board of Executive Directors to obtain the Supervisory Board's approval prior to their conclusion. Such cases that require approval include the acquisition and disposal of enterprises and parts of enterprises, as well as the issue of bonds or comparable financial instruments. However, this is only necessary if the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the most recent approved Consolidated Financial Statements of the BASF Group.

 For more information on risk management, see the Forecast report from page 157 onward

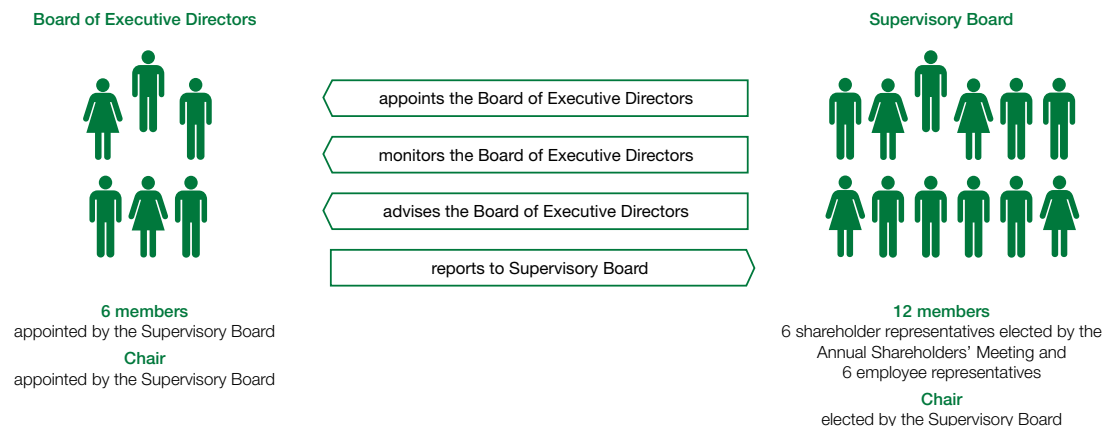
The members of the Board of Executive Directors, including their areas of responsibility and memberships in the supervisory bodies of other companies, are listed from page 182 onward.

 For more information on the compensation of the Board of Executive Directors, see [basf.com/compensationreport](https://www.basf.com/compensationreport)

### Competence profile, diversity concept and succession planning for the Board of Executive Directors

The Supervisory Board works hand in hand with the Board of Executive Directors to ensure long-term succession planning for the composition of the Board of Executive Directors. BASF aims to fill

#### BASF SE's two-tier management system



most Board positions with leaders from within the company. It is the task of the Board of Executive Directors to propose a sufficient number of suitable individuals to the Supervisory Board.

BASF's long-term succession planning is guided by the corporate strategy. It is based on systematic management development characterized by the following:

- Early identification of suitable leaders of different professional backgrounds, nationalities and genders
- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions
- Desire to shape strategic and operational decisions and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting corporate values into practice

The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional

experience, cultural background, international representation, gender and age when appointing members of the Board of Executive Directors. Irrespective of these individual criteria, a holistic approach will ultimately determine a person's suitability for appointment to the Board of Executive Directors of BASF SE. Both systematic succession planning and the selection process aim to ensure that the Board of Executive Directors as a whole has the following profile, which serves as a diversity concept:

- Many years of leadership experience in scientific, technical and commercial fields
- International experience based on background and/or professional experience
- At least one female Board member
- A balanced age distribution to ensure the continuity of the Board's work and enable seamless succession planning

The first appointment of members of the Board of Executive Directors is for a term of no more than three years. The standard age limit for members of the Board of Executive Directors is 63. The

Supervisory Board determines the number of members on the Board of Executive Directors. It is guided by insights gained by BASF as a company with an integrated leadership culture and is determined by the needs arising from cooperation within the Board of Executive Directors. The Supervisory Board considers six to be an appropriate number of Board members given the current business composition, future responsibilities associated with development and the fundamental organizational structure of the BASF Group.

The current composition of the Board of Executive Directors meets the competence profile and the requirements of the diversity concept in full.

## Supervisory Board

### At a glance

- Appoints, monitors and advises Board of Executive Directors
- Four Supervisory Board committees
- Composition criteria: professional and personal qualifications, diversity, and independence

### Supervision of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board of Executive Directors on management issues. It must also be involved in making decisions that are of key importance for the company. This also includes the Board of Executive Directors' consideration of sustainability issues with regard to corporate governance. The Supervisory Board is also responsible for auditing BASF SE's and the Group's Annual Financial Statements. As members of the Supervisory Board may not simultaneously be on the Board of

Executive Directors, a high level of autonomy is already structurally ensured with regard to the supervision of the Board of Executive Directors.


In addition to the SE Regulation, the relevant legal basis for the size and composition of the Supervisory Board is provided by the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement). The latter also includes the regulations applicable to BASF for implementing the statutory gender quota for the Supervisory Board. The German Codetermination Act does not apply to BASF SE as a European stock corporation (Societas Europaea, SE).


The Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Shareholders' Meeting via a simple majority. Six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group. In accordance with the resolution of the Annual Shareholders' Meeting on June 18, 2020, the period of appointment for newly elected members of the Supervisory Board was reduced from five to four years; and the Statutes were amended accordingly. This ensures that the maximum membership duration of 12 years up to which a Supervisory Board member can be classified as independent corresponds to a total of three election terms in accordance with the German Corporate Governance Code.

Meetings of the Supervisory Board and its four committees are called by their respective chairs and independently, at the request of one of their members or the Board of Executive Directors. The shareholder and employee representatives of the Supervisory Board prepare for Supervisory Board meetings in separate preliminary discussions in each case. Resolutions of the Supervisory Board are passed by a simple majority vote of the participating Supervisory Board members. In the event of a tie, the vote of the chair of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable

for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board. Resolutions can, as needed, also be made in writing or through electronic communication outside of the meetings, as long as no Supervisory Board member objects to this form of passing a resolution. The Supervisory Board meets regularly even without the Board of Executive Directors.

The Board of Executive Directors regularly informs the Supervisory Board about matters such as the course of business and expected developments, the financial position and results of operations, corporate planning, the implementation of the corporate strategy, including the sustainability strategy, business opportunities and risks, as well as risk and compliance management. The Supervisory Board has embedded the main reporting requirements in an information policy. The chair of the Supervisory Board is in regular contact with the Board of Executive Directors, especially with its chair, outside of meetings as well.

 A list of the members of BASF SE's Supervisory Board indicating which members are shareholder or employee representatives and their appointments to the supervisory bodies of other companies can be found from page 183 onward.

 Compensation of the Supervisory Board is described in the Compensation Report at [basf.com/compensationreport](https://basf.com/compensationreport)

The Statutes of BASF SE and the Employee Participation Agreement can be found at [basf.com/statutes](https://basf.com/statutes) and [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### Personnel Committee

#### Members

Dr. Kurt Bock\* (chair)  
 Prof. Dr. Stefan Asenkerschbaumer\* (since April 29, 2022)  
 Franz Fehrenbach (until April 29, 2022)  
 Sinischa Horvat\*  
 Michael Vassiliadis

#### Duties

– Prepares the appointment of members to the Board of Executive Directors by the Supervisory Board as well as the service contracts

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

to be entered into with members of the Board of Executive Directors

- When making recommendations for appointments to the Board of Executive Directors, considers professional qualifications, international experience and leadership skills as well as long-term succession planning, diversity, and especially the appropriate consideration of women
- Prepares the resolutions made by the Supervisory Board with regard to the system and amount of compensation

### Audit Committee

#### Members

Dame Alison Carnwath DBE\* (chair)  
Tatjana Diether\*  
Alessandra Genco\* (since April 29, 2022)  
Anke Schäferkordt\* (until April 29, 2022)  
Michael Vassiliadis

#### Duties

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports, including the Nonfinancial Statements and sustainability reporting, and discusses the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication
- Deals with monitoring the accounting process, the annual audit, including sustainability reporting and its audit, the appropriateness and effectiveness of the internal control system, the risk management system, the internal auditing system and compliance management system as well as compliance issues
- Is responsible for business relations with the company's auditor: prepares the Supervisory Board's proposal to the Annual Shareholders' Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the focus areas of the audit

together with the auditor, discusses the audit risk, audit strategy and audit plan with the auditor, negotiates auditing fees, evaluates the quality of the annual audit, and establishes the conditions for the provision of the auditor's nonaudit services; the chair of the Audit Committee regularly discusses this with the auditor outside of meetings as well and reports to the Committee on such discussions; the Audit Committee regularly consults with the auditor, even without the Chief Financial Officer or another member of the Board of Executive Directors.

- Deals with follow-up assessments of key acquisition and investment projects
- Is responsible for monitoring the internal process of identifying related party transactions and ensuring adherence to statutory approval and disclosure requirements; grants approval of related party transactions
- Is authorized to request any information that it deems necessary from the auditor or from the Board of Executive Directors and has a direct right to information from the heads of central departments such as Corporate Audit or Compliance; can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections.

#### Special expertise in the areas of the annual audit and accounting

The Audit Committee is comprised of two members with special knowledge and experience within the meaning of the German Corporate Governance Code (special expertise) in the areas of accounting and the annual audit. The chair of the Audit Committee, Dame Alison Carnwath DBE, has special expertise in the field of auditing, including sustainability reporting, and accounting expertise due to her studies in economics, her professional activities as an auditor and many years of work on audit committees of publicly listed and non-listed companies. Alessandra Genco, who has been a member of the Audit Committee since April 29, 2022, has deep expertise in accounting, including sustainability reporting, due to her studies in economics, her professional experience working for

financial institutions and her current role as chief financial officer of a publicly listed international company. Both closely monitor current developments in the sustainability reporting and auditing sector and actively contribute this expertise to the Supervisory Board and Audit Committee.

### Nomination Committee

#### Members

Dr. Kurt Bock\* (chair)  
Prof. Dr. Stefan Asenkerschbaumer\* (since April 29, 2022)  
Prof. Dr. Thomas Carell\*  
Dame Alison Carnwath DBE\*  
Liming Chen\*  
Franz Fehrenbach (until April 29, 2022)  
Alessandra Genco\* (since April 29, 2022)  
Anke Schäferkordt\* (until April 29, 2022)

#### Duties

- Identifies suitable individuals for the Supervisory Board based on objectives for the composition decided on by the Supervisory Board
- Prepares the recommendations made by the Supervisory Board for the election of Supervisory Board members representing the shareholders by the Annual Shareholders' Meeting

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)



authorization of share buybacks, changes to the Statutes and the selection of the auditor.

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the beginning of the voting process during the Annual Shareholders' Meeting. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders entered in the share register are entitled to participate in the Annual Shareholders' Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as this is necessary to make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Annual Shareholders' Meeting and to contest resolutions of the Meeting and have them evaluated for their lawfulness in court. Shareholders who hold at least €500,000 of the company's share capital, a quota corresponding to 390,625 shares, are furthermore entitled to request that additional items be added to the agenda of the Annual Shareholders' Meeting.

Given the particular circumstances of the COVID-19 pandemic, the 2022 Annual Shareholders' Meeting was again held as a virtual event without the physical presence of shareholders in accordance

with the specific legal framework of the statutory provisions on the holding of a virtual Annual Shareholders' Meeting pursuant to Article 2 Section 1(1) and (2) of the COVID-19 Act in the version amended by the Gesetz zur weiteren Verkürzung des Restschuld-befreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht ["Act to further shorten the residual debt discharge process and to adapt pandemic-related provisions in corporate, cooperative, association and foundation legislation as well as in tenancy and lease legislation"] of December 22, 2020. To ensure legally compliant execution of this special Annual Shareholders' Meeting format, whereby shareholders participated solely via electronic communication, some of the aforementioned shareholder rights and options for action were limited or handled in an exceptional manner at this virtual meeting. In contrast, the 2023 Annual Shareholders' Meeting is planned to be held again as an in-person meeting, i.e., with the shareholders physically present at the meeting venue.

### Implementation of the German Corporate Governance Code (GCGC)

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company. BASF SE follows all of the recommendations of the German Corporate Governance Code in the version dated April 28, 2022 (Code 2022), the version in force at the time of submitting the Declaration of Conformity on December 15, 2022. Until then, BASF has complied with all recommendations of the German Corporate Governance Code in the version dated December 16, 2019 (Code 2020). In the same manner, BASF follows all of the nonobligatory suggestions of the German Corporate Governance Code.

 The joint Declaration of Conformity 2022 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 193

 For more information on the Declaration of Conformity 2022, the implementation of the Code's suggestions and the German Corporate Governance Code, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### Disclosures according to section 315a of the German Commercial Code (HGB) and explanatory report of the Board of Executive Directors according to section 176(1) sentence 1 of the German Stock Corporation Act (AktG)

#### Share capital and shares

As of December 31, 2022, BASF SE's subscribed capital was €1,144,134,309.12 after the redemption of 24,623,765 repurchased own company shares in December 2022 (December 31, 2021: €1,175,652,728.23), divided into 893,854,929 registered shares with no par value (December 31, 2021: 918,478,694). Each share entitles the holder to one vote at the Annual Shareholders' Meeting. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates (issuance of share certificates). There are neither different classes of shares nor shares with preferential voting rights.

#### Appointment and dismissal of members of the Board of Executive Directors

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, section 16 of the SE Implementation Act and sections 84 and 85 AktG as well as Article 7 of the Statutes of BASF SE. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chair, as well as one or more vice chairs. The members of the Board of Executive Directors are appointed for a maximum of five years. The maximum initial term of appointment is three years. Reappointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence by the Annual Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

# Compliance

GRI 2, 3, 205, 206, 406, 411

**Our Group-wide Compliance Program aims to ensure adherence to legal regulations, the company's internal guidelines and ethical business practices. Our Code of Conduct firmly embeds these mandatory standards into our employees' day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.**

## Compliance Program and Code of Conduct

### At a glance

**>30,000**

participants in compliance training

**47**

internal audits on adherence to our compliance standards

- Code of Conduct as the core of our Compliance Program
- Systematic further development of our compliance management system

We Care	We Earn Trust	We Play Fair	We Respect	We Protect
<ul style="list-style-type: none"> <li>– Our Code of Conduct</li> <li>– How We Make Decisions</li> <li>– We Always Speak Up</li> <li>– We Lead Integrity</li> </ul>	<ul style="list-style-type: none"> <li>– Anti-Corruption</li> <li>– Trade Control</li> <li>– Anti-Money Laundering</li> </ul>	<ul style="list-style-type: none"> <li>– Antitrust Laws</li> <li>– Gifts and Entertainment</li> <li>– Conflicts of Interest</li> </ul>	<ul style="list-style-type: none"> <li>– Human Rights, Labor and Social Standards</li> <li>– Environmental Protection, Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>– Sensitive Company Information</li> <li>– Personal Data</li> <li>– Digital Responsibility</li> <li>– Company Property</li> <li>– Accurate Books and Records</li> </ul>

BASF's Compliance Program is based on our corporate values and voluntary commitments, as well as international standards. It describes our commitment to responsible conduct and expectations around how all BASF employees interact with business partners, officials, coworkers and the community. At the core of our Compliance Program is the global, standardized **Code of Conduct**. All employees and leaders are obligated to adhere to its guidelines, which cover topics ranging from corruption and antitrust laws to human rights, labor and social standards, conflicts of interest and trade control, and protection of data privacy.

The online version of our Code of Conduct is aimed at our employees and also offers user-friendly features such as case studies, FAQs and additional references. The internal online platform and the corresponding app provide our employees worldwide with up-to-date content such as videos and links to specialist units and guidelines as well as direct contact to subject specialists.

Other binding governance documents (policies, corporate requirements) are published on a digital platform that offers our employees an effective search function and context-based links to further information. The managing directors of BASF Group companies can find important information and assistance on ensuring compliance in their Group companies on an intranet page set up especially for them.

Abiding by compliance standards is the foundation of responsible leadership. This has also been embedded in our values. We are convinced that compliance with these standards will play a key role in securing our company's long-term success. Our efforts are principally aimed at preventing violations from the outset.

We perform a **systematic risk assessment** to identify the risk of compliance violations, including corruption risks. These are conducted at divisional and Group company level. The regular

compliance audits performed by the Corporate Audit department are another source of information for the systematic identification of risks. These risks are documented in the relevant risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in violation prevention is **compulsory training and workshops** held as classroom or online courses. All employees are required within a prescribed time frame to take part in basic training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Newly appointed senior executives also receive special training on leading with integrity. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 30,000 participants worldwide received over 50,000 hours of compliance training in 2022.

For more information on the BASF Code of Conduct, see [basf.com/code-of-conduct](https://basf.com/code-of-conduct)

## Compliance culture at BASF

For corporate compliance to be a success, there must be an active culture of living these values and commitments within the company. The **principles embedded** in our Code of Conduct are established and recognized in our day-to-day business. We expect all employees to act in line with these principles. Our leaders play a key role here – they serve as an example of and communicate our values and culture both internally and externally. **That is why special workshops on integrity as a leadership task were again held in 2022 for newly appointed senior executives.**

## Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. The CCO is supported in this task by the Corporate Compliance department and more than 100 compliance officers worldwide in the regions and countries as well as in the divisions, service units and in the Corporate Center. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The compliance organization reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult their supervisors, specialist departments, such as the Legal department, and company compliance officers. The internal platform and the corresponding app also help employees to access advice by enabling direct contact. In addition, our employees can contact our compliance hotline – including anonymously – to report potential violations of laws or company guidelines. An independent external company has been contracted to manage this global hotline so that reported

cases are recorded and processed worldwide through one system. The central point of contact is a website that informs all employees worldwide about the hotline and the grievance procedure in their national language. In addition to local phone numbers, the website also offers an online contact option, which is available via PC or smartphone. The website is also available to the public. Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2022, 453 reports were received by our external hotlines (2021: 277). The information received related to all categories of our Code of Conduct, including respect in the workplace, corruption, handling of company property and environmental, health and safety issues. We carefully investigated all cases of suspected misconduct that came to our attention and, when necessary, took countermeasures on a case-by-case basis. These included, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to violations of our principles on respect in the workplace and personal misconduct in connection with the protection of company property or inappropriate handling of conflicts of interests. In such isolated cases, we took disciplinary measures in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success. In 2022, violations of our Code of Conduct led to termination of employment in a total of 34 cases (2021: 32). This relates to diverse employee groups, including executives.

BASF's **Corporate Audit department** monitors adherence to compliance principles, covering all areas in which compliance violations could occur. They check that employees uphold regulations and make sure that the established processes, procedures and monitoring tools are appropriate and sufficient to minimize potential risks or preclude violations in the first place. In 2022, 47 audits of this kind were performed Group-wide (2021: 77). Our

compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in December 2022. Overall, the audit results speak for the effectiveness of the compliance management system. As part of the comprehensive action plan developed last year for the continuous, systematic optimization of our compliance management system, we worked on strengthening key processes in 2022 and described the principles, core processes and roles in our system in detail in a revised internal policy, Compliance Management System (CMS), which was approved by the Board of Executive Directors in August 2022. A particular focus of our compliance activities in 2022 was the further development of our internal systems and processes in light of changes to supply chain law, including the German Supply Chain Due Diligence Act (SCA) (see page 111).

We monitor our business partners in sales for potential compliance risks based on the global **Guideline on Business Partner Due Diligence** using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If business partners are not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities and whether there are business processes with business partners from or in countries under embargo. One focus of our activities in 2022 was on the continuous monitoring and implementation of the dynamically evolving sanctions law requirements in light of the war in Ukraine.

We support the United Nations' Guiding Principles on Business and Human Rights and are constantly working to enhance our internal guidelines and processes in keeping with these principles. For example, there is an internal **guideline to respect international labor and social standards** that is applicable throughout the Group. Outside of our company, too, we support respect for human rights and the fight against corruption. We are a founding member of the United Nations Global Compact. As a member of Transparency

International Deutschland and the Partnering Against Corruption initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives.

We are committed to adhering to uniformly high standards and integrity regarding tax-related issues, as embedded in BASF's Code of Conduct and corporate values. To aid in the achievement of the U.N. SDGs and to meet our own standards for the creation of economic and social value, we contribute to public finances in accordance with legal requirements and our corporate values. In 2020, we developed and published the BASF tax principles, which are binding for all Group entities.

 For more information on the Supplier Code of Conduct and supplier assessments, see page 114 onward

 For more information on the Code of Conduct, see [basf.com/code-of-conduct](https://basf.com/code-of-conduct)

For more information on human rights and labor and social standards, see [basf.com/human\\_rights](https://basf.com/human_rights)

For more information on tax principles, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)