

Compliance

Code of Conduct

Forms core of our
Compliance Program

More than 33,500

Participants in
compliance training

75 audits

Conducted internally
on compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. This topic has been integrated into our "We create chemistry" strategy. Our employee Code of Conduct firmly embeds these mandatory standards into 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

- Integrated into corporate values
- Regular compliance training for employees

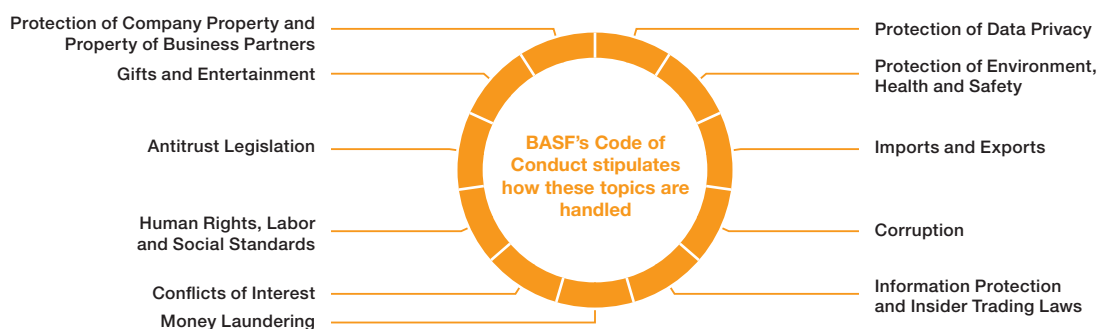
Based on international standards, BASF's Compliance Program combines important laws and company-internal policies – often exceeding legal requirements – with external voluntary commitments to create a framework that regulates how all BASF employees interact with business partners, officials, colleagues and society. At the core of our Compliance Program is the global, standardized Code of Conduct received by every employee. All employees and managers are obligated to adhere to its guidelines, which describe our principles for proper conduct and 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.

Abiding by compliance standards is the foundation of responsible leadership. This has been expressly embedded in our values, where we state: "We strictly adhere to our compliance standards." We are convinced that compliance with these standards will not only prevent the disadvantages associated with violations, such as penalties and fines; we also view compliance as the right path toward securing our company's long-term success.

Our efforts are principally aimed at preventing violations from the outset. We perform systematic risk assessments to identify the risk of compliance violations, including corruption risks. These are conducted at division, regional and country level. The regular compliance audits performed by the Corporate Audit department are another source for the systematic identification of risks. These risks are documented in each 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 the prevention of compliance violations 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 compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 33,500 participants worldwide received around 54,000 hours of compliance training in 2017.

For more information on the BASF Code of Conduct, see basf.com/code_of_conduct

BASF's Code of Conduct



Compliance culture at BASF

We firmly believe that for corporate responsibility to be a success, there must be an active culture of living these guidelines within the company. Thanks to the early introduction of our Code of Conduct, these standards have already been firmly established and are undisputed. We expect all employees to act in line with these compliance principles. Managers place a key role here – they serve as an example of and communicate our values and culture both internally and externally.

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. He is supported in this task by more than 100 compliance officers worldwide in the regions and countries as well as in the divisions. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The CCO 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. For this, they can consult their managers, dedicated specialist departments, such as the Legal department, and company compliance officers. We have also set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report suspected or actual violations of laws or company guidelines. All hotlines are also open 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 2017, 290 calls and emails were received by our external hotlines (2016: 278). These concerns involved questions ranging from personnel management and handling of company property to information on the behavior of business partners or human rights issues, such as on labor and social standards. We continued to observe increasing awareness when it came to potential conflicts of interest. We launched case-specific investigations, in accordance with applicable law and internal regulations, into all cases of suspected misconduct that we became aware of. These include, 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 personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. There was one case of passive corruption. In such isolated cases, we took disciplinary measures up to and including dismissal in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success.

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 risk or preclude violations in the first place. In 2017, 75 Group-wide audits of this kind were performed (2016: 63). One audit gave rise to the suspicion of unlawful billing of labor by external service providers, with the involvement of BASF employees, at the Ludwigshafen site in the past few years. The district attorney's office is now investigating the matter. Overall, the audits confirmed the effectiveness of the compliance management system. No irregularities were shown in the audit's focus areas of antitrust law, trade controls and embargo.

Our business partners in sales are monitored for potential compliance risks based on the Guideline on Business Partner Due Diligence, which has been in effect since 2015, using a checklist, a questionnaire and an internet-based analysis. The results are then documented. Depending on the results, conclusions must be drawn regarding whether and how to maintain the business relationship. To date, we have ended one existing business relationship based on the results of the audit. In a number of cases, business relationships were not entered into because the business partners were not prepared to answer the questionnaire put to them. A dedicated global Supplier Code of Conduct applies to our suppliers.

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, as well, 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.

 For more information on the Supplier Code of Conduct and supplier assessments, see page 93 onward

 For more information on human rights and labor and social standards, see basf.com/human_rights

