



We create chemistry

Understanding how purpose, measurement and scalability become essential areas of disclosure

## **BASF's Value-to-Society approach**

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# Impact valuation – An answer to keep the business license to operate?

Changing environment



Driver of change



Paradigm shift



**Societal expectations**

**Business role in society**

**Political uncertainties**

**Redirection of financial market**

**Consumer behavior**

**Redefinition of biz value**  
People, planet, profit

**Macro perspective**  
From outcome to impact

**Interdependencies**  
Multi-dimensional steering

**Value chain thinking**  
Extended responsibilities

The new performance perspective: The 'real' value contribution to a sustainable society.

# Perspective change: From accounting to macro-societal evaluation of business performance

## *Traditional reporting*

Quantified output (€, CO<sub>2</sub>e, LTI...)



## *Impact valuation / Value-to-Society*

Valued financial & pre-financial impacts (€)



Input

Output

Impact

Societal benefits/costs

Valuation of externalities: Assessing how business affect the health and well-being of people.

# Embedment into daily business: From first attempts towards standardization

## Companies



## Standardization & convergence



## Disclosure requirements



2010

2020

More than 250 corporations are testing, only a few are communicating.



# The challenge: Develop a pragmatic approach to assess our contribution to a sustainable future.

- Our chemistry is used in almost all customer industries
- Sales 2016: €57,550 million
- EBIT 2016: €6,275 million
- Employees (as of December 31, 2016): 113,830
- 6 Verbund sites and 352 other production sites



## Supply chain

- > 30,000 different raw materials purchased
- > 75,000 tier 1 supplier

## BASF operations

- ~ 360 production sites
- Companies in > 80 countries
- 86 business units

## Customer industries

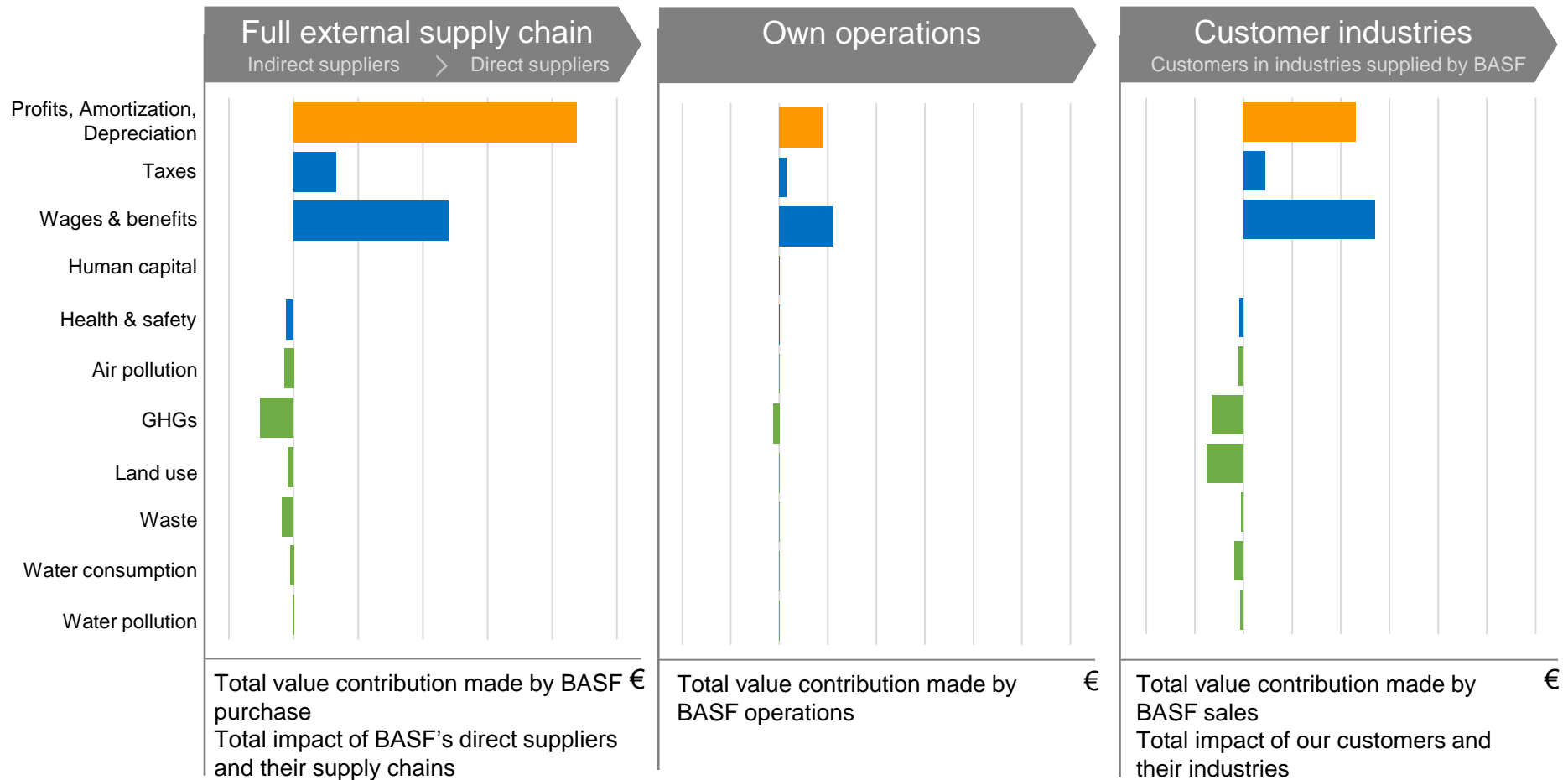
- > 300,000 customers
- Sales in all industries
- Business partners in nearly every country

## Use phase & end-of-life

- > 60,000 product applications

Approach designed based on materiality, feasibility, data robustness and maturity of methods.

# Our contribution: We deliver a net positive value contribution along the value chain



Value-to-Society approach provides results, which are directionally correct.

# Our learnings: Benefits and limitations for the usability of Value-to-Society



## Positioning

- ▶ Communication
- ▶ Reporting
- ▶ Advocacy



## Progress monitoring

- ▶ Over time
- ▶ Industry benchmark
- ▶ Relevance of impacts



## Decision making

- ▶ Risk exposures
- ▶ Business opportunities



## Goal setting

- ▶ Corporate targets along the value chain

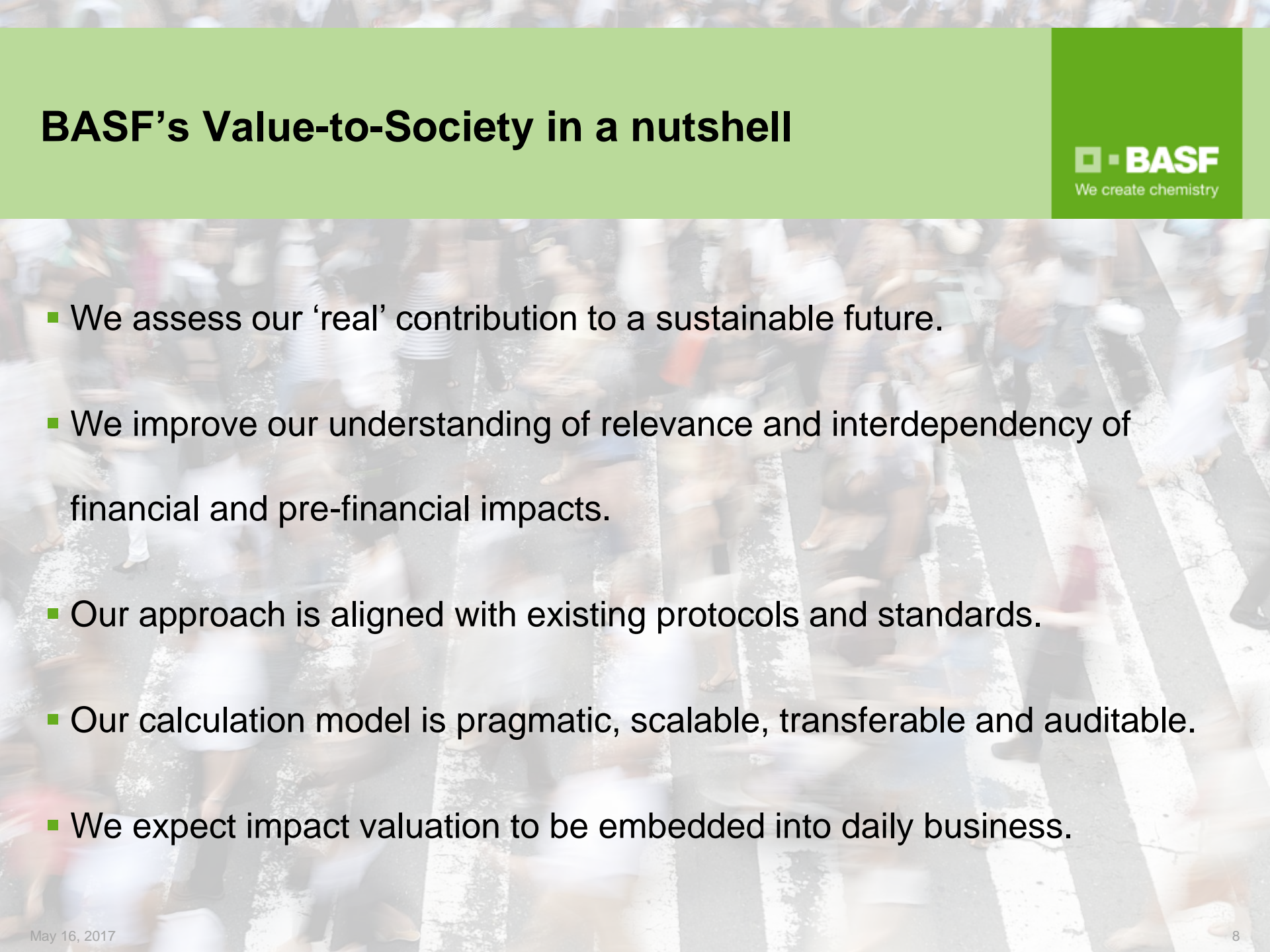
Data accuracy and granularity

Maturity level of quantification and valuation methods

➔ Additional benefits at project and product level (e.g. R&D, marketing)

Enable long-term business robustness by multi-capital assessments.

# BASF's Value-to-Society in a nutshell

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- We assess our 'real' contribution to a sustainable future.
  - We improve our understanding of relevance and interdependency of financial and pre-financial impacts.
  - Our approach is aligned with existing protocols and standards.
  - Our calculation model is pragmatic, scalable, transferable and auditable.
  - We expect impact valuation to be embedded into daily business.





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