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Sustainability at BASF

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The University of Tennessee

May 6, 2011

Contents

- I. Introduction.....1
- II. An Introduction to the Global Compact.....3
- III. Germany’s Sustainability Policy.....10
- IV. Sustainability at BASF.....15
- V. Conclusions.....27
- VI. Works Cited.....29

I. Introduction

We are living in a time of many changes: environmental changes, increasing technological capabilities, and fluctuating interactions with the other people on this planet as globalization spreads. Because of these changes, the issue of sustainability has come to the foreground. Information about sustainability, more easily distributed and accessible through the internet, is available to the majority of people. This allows companies to be held responsible for their contributions to or effects on sustainability. BASF, or the Badische Anilin- und Soda-Fabrik, is the largest chemical company in the world.¹ I worked there as an intern in BASF's Sustainability Center from March through June of 2010, and my experience there introduced me to the importance and impact of sustainability. I learned of the broader scope of sustainability; previously, I had believed that it was limited to environmental concerns. However, sustainability directly involves labor practices, equal treatment for employees, a company's role in its community, and the lack of corruption in governance, as well as the wide range of environmental issues. Since sustainability has an impact on a regional, national, and global scale, the United Nations developed an initiative for businesses to implement sustainability within an organized framework. This initiative, called the Global Compact, contains ten principles as a reference and set of regulations that businesses voluntarily participate in as a measure of advancing sustainable development. This paper will attempt to understand BASF's sustainability practices in terms of implementing the ten principles of the Global Compact. I will also attempt to explore how Germany's national sustainability strategy relates to the sustainability objectives outlines in the Global Compact, and how these might have influenced BASF's sustainability strategy and operations. The topic is admittedly controversial and the external evaluations of the

¹ Their corporate website is available at <http://www.basf.com/group/corporate/en/>.

implementation of sustainability by BASF are outside the scope of this study and are left for later research.

II. An Introduction to the Global Compact

The United Nations launched the UN Global Compact on July 26, 2000. (United Nations 2009) The Global Compact is a “strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.” (Overview of the Global Compact 2010) When thinking about the Global Compact, it is important, however, to realize that it is not solely an initiative that involves businesses; it affects many types of parties and considers those involved as key players. As the website for the Global Compact states, “The Global Compact involves all relevant social actors: companies, whose actions it seeks to influence; governments, labour, civil society organizations, and the United Nations, the world’s only truly global political forum, as an authoritative convener and facilitator.” (UN Global Compact Participants 2009) It is interesting to note that the United Nations promotes itself as an “authoritative facilitator” in the area of sustainable development. A study conducted regarding registration by corporations in the Global Compact indicated that companies were not as influenced in their decision to register by non-governmental organizations (of which the United Nations is included) as by academic findings.² However, the visibility and reach of the United Nations gives its initiatives weight, and the number of businesses registered as participants is an indicator that it is, at least, viewed as an authoritative facilitator.

The Global Compact is composed of “ten principles in the areas of human rights, labour, the environment and anti-corruption”. (The Ten Principles n.d.) These principles were developed

² Luis A. Perez-Batres, Van V. Miller, and Michael J. Pisani, “Institutionalizing sustainability: an empirical study of corporate registration and commitment to the United Nations global compact guidelines,” *Journal of Cleaner Production* 19, (2011): 851.

from other documents created and supported by the United Nations: The Universal Declaration of Human Rights, The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, and The United Nations Convention Against Corruption. (United Nations n.d.) The principles, as listed on their web page, are categorized and listed as:

“Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.”

(The Ten Principles n.d.)

Other organizations choose to interpret sustainability in varying ways, and to “organize” the topics covered by sustainability in different ways. As I will discuss later, for example, Germany's Federal Government outlines its sustainability strategy in a broader and more encompassing frame, with less distinction between areas of sustainability broken down, as the United Nations Global Compact does, into four topics. This framework is indicative of the

audience the United Nations is trying to reach. Were the Global Compact aimed at the general population in an effort to improve sustainability awareness, it might not include anti-corruption as an entire sub-heading, or perhaps it might include entirely new criteria under that category. The framework of the Global Compact thus indicates that its major targets are businesses.³

The Global Compact includes over “8,000 participants, including over 5300 businesses in 130 countries around the world. It is a network-based initiative with the Global Compact Office and six UN agencies at its core.” (UN Global Compact Participants 2009) Since the time the overview was written, the Global Compact added another UN agency to its list, and these agencies now include Office of the High Commissioner for Human Rights (OHCHR), the International Labour Organization (ILO), the United Nations Environment Programme (UNEP), the United Nations Office on Drugs and Crime (UNODC), the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO), and the United Nations Development Fund for Women (UNIFEM, part of UN Women). The United Nations encourages other UN agencies to “use and promote” the principles of the Global Compact within the context of their own programs. “The United Nations Global Compact presents a unique strategic platform for participants to advance their commitments to sustainability and corporate citizenship. Structured as a public–private initiative, the Global Compact offers a policy framework for the development, implementation and disclosure of sustainability principles and practices related to its four core areas: human rights, labour, the environment and anti-corruption. Indeed, managing the enterprise risks and opportunities related to these areas is today a widely understood aspect of long-term “value creation” — value

³ The United Nations Participant Database does include organizations from the “Public Sector”, but these are again established organizations that essentially function as businesses. The Global Compact is not an initiative generally known or discussed, in my experience, among the general population in either Germany or the United States. It is not geared towards people on an individual level. It can also be noted that Germany only has one organization in the public sector as a registered participant, IHK Schwarzwald-Baar-Heuberg.

creation that can simultaneously benefit the private sector and societies at large.” (Business Participation n.d.)

The Global Compact not only offers its ten principles for a company to uphold, but also provides a framework for sustainable development governance. In the United Nations’ description of expected business participation, it publishes the following objective. “The Global Compact is a leadership initiative, involving a commitment by a company’s Chief Executive Officer (or equivalent), and supported by the highest-level Governance body of the organization (e.g., the Board).” The description of participation not only includes this objective, to make the implementation of the Global Compact a high priority, but also a set of expectations. These are outlined as follows: “Participation in the Global Compact is a widely visible commitment to the implementation, disclosure, and promotion of its ten universal principles. A company joining the initiative is expected to:

1. Make the Global Compact and its principles an integral part of business strategy, day-to-day operations and organizational culture;
2. Incorporate the Global Compact and its principles in the decision-making processes of the highest-level governance body (i.e. Board);
3. Contribute to broad development objectives (including the Millennium Development Goals) through partnerships;
4. Integrate in its annual report (or in a similar public document, such as a sustainability report) a description of the ways in which it implements the principles and supports broader development objectives (also known as the Communication on Progress); and

5. Advance the Global Compact and the case for responsible business practices through advocacy and active outreach to peers, partners, clients, consumers and the public at large.”

(Business Participation n.d.)

These objectives seem to further the existence of the Global Compact more than they seem to address any specific sustainability issues. It can be noted that not only does BASF fully comply with these five objectives, but it also publishes on its sustainability webpage and in its annual report in a way that indicates that sustainability is a top priority for that company; in other words, BASF is very visible regarding its sustainability and sustainability governance.

The Global Compact also established a blueprint for corporate sustainability leadership. “It provides an action plan in three core areas: (i) integrating the Global Compact ten principles into strategies and operations; (ii) taking action in support of broader UN goals and issues; and (iii) engaging with the Global Compact. The Blueprint identifies best practices in each of these dimensions, with a total of 50 criteria for leadership.”

Figure 1



This blueprint identifies three main objectives that businesses should engage in order to fully support the Global Compact, in the opinion of the United Nations. These are: engaging with the UN Global Compact, implementing the Ten Principles in strategies and operations, and taking action in support of broader UN goals and issues. While I find the third objective a worthy ambition, it is worth pointing out again that the United Nations specifically promotes its own existence and asks for support, in a blueprint that supposedly indicates to businesses how to support sustainable development. The first two objectives within that goal state it clearly: the United Nations asks that businesses contribute towards core UN goals and issues, and make social investments towards UN issues.

In addition, participants of the Global Compact are expected to make annual contributions to the Global Compact “to support the work of the UN Global Compact Office.”

The contributions are based on the size of the company and are as follows:

- USD 10,000 for companies with annual sales/revenues of USD 1 billion or more;
- USD 5,000 for companies with annual sales/revenues of between USD 250 million and USD 1 billion;
- USD 2,500 for companies with annual sales/revenues of between USD 25 million and USD 250 million;
- USD 500 for companies with annual sales/revenues of less than USD 25 million

BASF, with annual sales of 63,873,000,000 Euro (well over one billion USD) for 2010, is thus expected to contribute 10,000 USD annually to the Global Compact. BASF also donates to United Nations initiatives, including UNICEF, UN-HABITAT, and UNEP.⁴

⁴ BASF does not specifically outline how much of their annual donations are distributed to which initiatives, however, the website reports that in 2009 BASF spent €48.1 million on supporting projects and €64.7 in 2008. (Source: <http://www.basf.com/group/corporate/en/sustainability/society/international-donations/index>)

III. Germany's Sustainability Policy

Sustainability in business is a topic of ever increasing importance. As this article on sustainability reporting states, "Sustainability is a global rather than a national issue. The sustainable behavior of countries with a strong economy has a high impact." (Quick 2007) Germany, and BASF in particular, take this into account, but I will now look at Germany's policy regarding sustainability and the outlook regarding scope on a national or global level.

Germany's government has an open and fairly progressive policy towards sustainability. REGIERUNGonline, the website for the German federal government, provides a considerable amount of documentation on the subject. Germany developed its current sustainability strategy in 2002. This strategy, entitled "Prospects for Germany", lays out specific directives and objectives. In addition to this document, Germany has several other structures in place to ensure sustainability within Germany. A forum is available online for German citizens to discuss sustainability topics under the website www.dialog-nachhaltigkeit.de. The government has established a German Council for Sustainable Development and the State Secretary Committee for Sustainable Development. As REGIERUNGonline states, "The State Secretary Committee for Sustainable Development is an important body for the sustainability strategy. Its duties include implementing the national sustainability strategy, developing the content matter further and reviewing at regular intervals the implementation status." (Structures of Sustainability Policy 2011) In this way, Germany's State Secretary Committee acts in a manner parallel to the role of the United Nations in implementing the Global Compact. However, the website for the Federal Government sustainability policy does not explicitly acknowledge the existence of or express support for the Global Compact.

Germany's federal government issued a sustainability strategy, which is intended to have practical value instead of publishing lofty goals or being an academic paper or theoretical

discussion of sustainability policy. The sustainability strategy listed on REGIERUNGonline consists of ten “golden rules”. Before the golden rules are explained, the site offers an overall “rule of thumb”: “Every generation must solve its own problems rather than passing them on to the next generation. At the same time it must make provision for foreseeable future problems. This applies to conserving the natural resource base on which life depends, to economic development and to social cohesion and demographic change.” (Ten Golden Rules 2011)

The Ten Golden Rules:

1. Citizens, producers and consumers, industry and trade unions, the academic community, churches and associations are important stakeholders in sustainable development, along with the government. They should all be involved in the public dialogue about the vision of sustainable development, and should independently gear their decisions and actions to the goals of sustainable development.
2. Private businesses are responsible for their production and their products. This includes providing consumers with health- and environmentally-relevant information about their products and about sustainable production methods. Consumers are responsible for selecting the products they buy, and for using them in a socially and ecologically acceptable manner.
3. Renewable natural resources (such as forest stands or fish stocks) may only be used on a scale which allows them to regenerate. Non-renewable natural resources (such as minerals and fossil fuels) may in the long term be used only where they cannot be replaced by other materials or fuels. The emission of substances or energy may not in the long term exceed the ability of ecosystems to adapt accordingly, e.g. climate, forests and oceans.
4. Any threat to human health and any unacceptable risks must be avoided.
5. The structural change triggered by technical developments and international competition should be made economically successful and ecologically and socially acceptable. To this end, the various policy fields should be integrated such that economic growth, high employment, social cohesion and environmental protection go hand in hand.
6. The consumption of energy and resources must be decoupled from economic growth, as must the volume of transport. At the same time, every effort should be made to ensure that the growth-related increase in demand for energy, resources and transport services is more than offset by efficiency gains.
7. Public budgets too shall respect the concept of intergenerational equity. Federal, *laender* and district governments should balance their budgets at the earliest possible time, and should then go on to reduce their debts on an ongoing and consistent basis.

8. Sustainable agriculture must be compatible with nature and the environment, and take into account the imperatives of responsible animal husbandry and the tenets of consumer protection, in particular in terms of human health.

9. In order to strengthen social cohesion, poverty and social marginalisation should be prevented as far as possible. All sections of the population should be given the opportunity to become involved in economic development. They should all participate in societal and political life.

10. The international framework should be shaped such that people in all countries are able to live in dignity in line with their own visions, and that they can participate in economic development. The environment and development must be seen as one whole. An integrated approach is to link poverty reduction with human rights, economic development, protection of the environment and good governance.

These ten golden rules, which embody the national sustainability strategy for Germany, offer a general guideline for the actions and policy, not only of companies, but also of citizens and other groups within the country. “It seeks to provide practical guidelines to help politicians and society as a whole align their actions to the imperatives of sustainability.”

It is interesting to note the differences and similarities between the United Nations’ Ten Principles of the Global Compact and these ten “Golden Rules” offered by the German federal government. Initially, of course, one can recognize that the golden rules offered by REGIERUNGonline are not just intended for German businesses. At the very outset, the first rule indicates who all should be adhering to the rules: citizens, producers and consumers, industry and trade unions, the academic community, churches and associations. The rules also address the issue of budget allocation, while the ten principles do not address monetary concerns. The Global Compact does, as I mentioned, suggest that businesses spend money philanthropically, but Germany’s government suggests that by properly allocating of budget resources and balancing budgets, a company shows that it is prepared to deal with sustainable development responsibly.

Germany's sustainability policy also takes a different, perhaps more passive (and I think realistic) approach to sustainable development. The website posts that "Sustainable development cannot be imposed from above. The state can, however, do much to support the change of course. To this end, the German government has drawn up a list of priority fields of action." These fields of action include energy/climate, environmentally-friendly mobility, healthy production and nutrition, shaping demographic change, innovation, reducing land use, conserving open spaces, and accepting global responsibility. These fields were originally introduced in 2002, and since then, the government has added other priority fields.

"For the other priority fields of action, the strategy lays out the government's agenda for the coming years, without specifying the measures to be taken. This is a clear indication of the fact that the political mandate to pursue the vision of sustainable development is far from being wound up. Further priorities include demographic change, a new education offensive, economic investment and sustainable human settlement development.

Additional topics were subsequently incorporated, and were included in the 2004 progress report:

- New energy supply structure involving the use of renewables
- Harnessing the potential represented by older people in industry and society
- Alternative fuels and engine technology.

In the publication "Landmark Sustainability 2005 – Appraisal and Perspectives" the German government also presented sustainability strategies in the following areas:

- Modern electricity supply – integrating renewable energies to optimum effect
- Renewable raw materials – for new products and growing markets
- Sustainable forestry – developing economic prospects
- Biodiversity – protection and utilization"

These topics indicate much more of a focus on environmental sustainability than the sustainability objectives and priorities made by the Global Compact.

The article mentioned earlier regarding sustainability reporting qualifies how Germany's position in the global economy indicates a tendency to have strong

sustainability performance, as well as sustainability reporting. “As the world’s third strongest national economy with regard to its gross domestic product (World Bank, 2007), Germany holds a leading position in terms of its total economic output. With the highest gross domestic product and the largest number of inhabitants of any country in the European Union, it is the largest market in Europe. Germany is second to the U.S. in global trading of goods and services (World trade organization 2007, pp. 11-12). In the era of globalization, this underlines the fact that sustainable performance of German companies is a global issue. In the German constitution, environmental protection is defined as a public objective. Therefore, a high quality of German sustainability reports could be expected.” (Quick 2007) As I will discuss in the next chapter, BASF is a company that does in fact uphold this high standard of sustainability reporting.

IV. Sustainability at BASF

On March 4, 2011, BASF published its Annual Report for the 2010 year. BASF does not publish a separate sustainability report because the company views sustainability strategy to be integral to its success. Chairman of the Board of Executive Directors Dr. Jürgen Hambrecht includes a statement regarding sustainability at BASF in an introduction to the report.

“Over the long term, companies that conduct business sustainably and act responsibly will be more successful than the competition. That is why sustainability has long been an integral part of BASF’s strategy. We consider it our ongoing responsibility to continuously improve our business and we are committed to the implementation of the principles of the Global Compact. Our strategy to reduce greenhouse gas emissions and our transparent reporting are recognized by investors: For the tenth year in succession, BASF has been included in the world’s most important sustainability index, the Dow Jones Sustainability World Index (DJSI World). We were also once again represented in the prestigious Carbon Disclosure Leadership Index (CDLI) and are now included in the new Carbon Performance Leadership Index (CLPLI).” (BASF 2011)

It is quite apparent that BASF regards sustainability to be one of its most important aspects and a vital strategy for the company. This is reflected in documentation on BASF’s achievements and awards in sustainability, in its annual report, and in its thorough commitment to the implementation of the Global Compact.

BASF’s sustainability management may provide insight into how the company handles sustainability so efficiently and holistically. “Our global Sustainability Council is the central decision-making body for all relevant sustainability topics. It advises the Board of Executive Directors on decisions concerning sustainability. With global directives, the Council ensures that the BASF Group acts in accordance with the principles of sustainable development. The Council comprises nine heads of functional, operating and regional divisions. The Chairman of the Council is Board member Dr.

Harald Schwager. The Sustainability Council is supported by regional steering committees that identify key regional topics, initiate the corresponding projects, and implement global decisions locally. Our Sustainability Center coordinates the implementation of the sustainability strategy in our core businesses, liaising between the Sustainability Council, regional networks, and operating units.” (BASF 2011, 25)

Though the BASF’s website for its US operations treats sustainability much less in depth than does the website for the company as a whole, it nevertheless presents an excellent picture regarding BASF’s sustainability strategy. From the website: “For BASF, sustainable development means combining long-term economic success with environmental protection and social responsibility. Our goal is to make a positive contribution to a future worth living. The strategies needed to achieve this are developed and monitored by BASF’s Sustainability Council and implemented with the support of our worldwide regional networks.” (Sustainable Development 2007) BASF elaborates on its implementation of sustainability further: “Sustainable Development is about advancing BASF proactively. It is about ensuring that we continue to earn the trust of our stakeholders and extending our license to operate. Operating in this manner means recognizing **sustainability as a long-term competitive advantage**.⁵ It means combining economic success with environmental protection and social responsibility. And, combined with the other three strategic guidelines, it is what will enable BASF to shape a successful future.” (The BASF Strategy 2007) As a global business, BASF has integrated sustainable development into its business plan and it is evident through the company’s success and recognition for its sustainability achievements.

⁵ Bold text in the original.

Although BASF has been recognized for its sustainability achievements in many countries, in Germany alone BASF has seen its share of accolades. In part because of their progress in making their products sustainable and in part because they strive to integrate sustainability into their business so thoroughly and be transparent about it, BASF has received awards from businesses, recognition from scholarly reports, and partnered with NGOs to spread the message of the importance of sustainability. In 2004, the Allensbach opinion research institute rated BASF as the most environmentally friendly company in the DAX 30 index, a German stock market index. (BASF 2004)

BASF has also long been an important member of ECONSENSE, the Forum for Sustainable Development of German business. In May 2005 BASF and ECONSENSE jointly hosted “Good Practice Live!,” which demonstrated how BASF integrates sustainability into everyday activities. “The visitors were also shown around BASF’s biotechnology laboratory, enabling them to see the many opportunities biotechnology offers for the long-term improvement of products and production processes. Chemistry’s contribution to reducing energy consumption in homes was also on display: BASF’s insulating foam Neopor[®], for example, lowered the heating costs of an old, 100 square-meter apartment in Ludwigshafen from around EUR 700 to EUR 100 annually. Carbon dioxide emissions fell by more than 70 percent. ... Alongside its activities in the environmental field, BASF is also committed to further developing the social aspect of sustainability. One example is its hands-on lab, ‘H₂O and Co’, which introduces youngsters to the world of chemistry in an exciting way.” (BASF 2005) Since BASF has made sustainability one of its main goals, BASF makes concerted efforts to reveal how important sustainability is to its business.

In addition to consistently seeking to improve BASF's sustainability performance, BASF is ahead of its competitors in sustainability reporting. According to a study of sustainability reports done by a professor at the Technische Universität Darmstadt, "Overall, the sustainability report of BASF was assessed as the best one in this study. This report also had the highest degree of achievement concerning environmental performance. One explanation for this result could be that stakeholders might perceive chemical companies like BASF as having a very large impact on sustainability. The Wirtschaftsprüferkammer (German chamber of auditors) awarded the German Sustainability Reporting Award to BASF for the best sustainability report for the year 2003 and thus had comparable findings." (Quick 2007)

In keeping with Quick's findings regarding sustainability reporting, BASF's website dedicates a large portion to dealing sustainability issues, and specifically with the United Nations Global Compact. BASF even has a subsection that directly addresses how it implements the 10 Principles of the Global Compact. As a founding member of the Global Compact, BASF has a stake in its continuation and success. Therefore, BASF is explicit in promoting and upholding all of the values of the Global Compact. The first principle, regarding labor and social standards, is addressed in the following way:

"The specific implementation of labor and social standards within the BASF Group confronts us with two challenges:

1. National and local law prohibits the application of internationally recognized standards. In this case we are faced with the dilemma of conflicting self-commitments: compliance with national law versus compliance with internationally recognized standards. For example, in some countries in which we operate, the right of freedom of association and collective bargaining is restricted by law.
2. National and local regulations and labor market conditions set lower standards than requirements of internationally recognized standards. In this case we face the challenge of reconciling our self-commitment to maintain international standards with our economic competitiveness. For example, in several countries in which we operate, the entitlement to paid vacation is much lower than the three working weeks stipulated by the ILO.

However, BASF does not merely seek to absolve itself from compliance with this critical issue, and has developed a response that makes transparent how the company will deal with labor and social standards in a responsible way, even when the country BASF operates in does not enforce them. This position is made available to the ILO (International Labour Organization) and the Global Compact Network. As its position states:

- “We are committed to comply with effective law. This also applies if, in some countries, the resources or the political will to implement and enforce applicable law are lacking (BASF Compliance Program).
- As a responsible employer, we in the BASF Group strictly uphold the ILO core labor standards as long as this is not explicitly prohibited by applicable law. If the implementation of international conventions is restricted by national law, we develop innovative approaches to adhere in our actions to the principles underlying the internationally recognized standards. For example, we have developed suitable solutions for a dialogue in locations where the employees’ right to elect employee representatives is restricted. In these cases we discuss with employee representatives topics of common interest at the regional level, e.g. in regional **network meetings and the BASF Euro Dialogue** (commitment to the Global Compact Principles 3-6; ILO Declaration on Fundamental Principles and Rights).
- While taking into account the local economic conditions and the state of social development, we as a responsible employer aspire to implement stepwise the internationally recognized labor and social standards to the fullest extent. Our goal is to reconcile the economic and social dimension of sustainability”

In order to assure that the principles of the Global Compact are carried out, the subject of Principle 2, Monitoring, is vital to establishing commitment to the Global Compact. BASF maintains a vast array of ways in which the company can be held responsible for its actions and performance. These include stakeholder dialogue; compliance hotlines; and an annual survey among group companies regarding standards, established processes for enforcing such standards, and the effectiveness of the processes for enforcing standards. BASF outlines briefly how stakeholder dialogue is important to the implementation of the Global Compact principles: “We conduct a close dialogue with stakeholders important for us, such as employees and their representatives, employer

associations, NGOs and international organizations such as the International Labor Organization (ILO) or the United Nations (UN). We are also involved in multistakeholder initiatives such as the Global Compact Network or the consultations of the UN Special Representative on Human Rights and Transnational Corporations, John Ruggie.” BASF’s information regarding hotlines is thoroughly laid out.

“2. Compliance hotlines

Our employees have the opportunity to seek guidance from superiors, the human resources or legal department and employee representatives regarding their own behavior and draw attention to potential abuses in their own working environment. Compliance hotlines that can be used anonymously and confidentially are also available to our employees.

The compliance hotlines were set up principally to secure compliance with the legal requirements placed on our employees’ behavior and the internationally accepted labor and social standards we have committed ourselves to uphold. Reflecting the need to comply with different national laws, we have established a large number of separated hotlines at national and regional level. This gives our employees the opportunity to submit their inquiries and complaints in their native language. The hotlines are open in all the countries in which they are legally allowed. Where this is not possible, our employees can submit their inquiries and complaints to the other BASF hotlines. A standardized procedure guarantees that every incoming call received is followed up.”

Not only does BASF supply information regarding the availability of compliance hotlines and the processes for dealing with calls, but on this webpage regarding implementing the monitoring principle, BASF goes into detail regarding how many calls were placed and what the calls regarded. From the website:

“In the reporting year 2009, we in the BASF Group received 48 calls relating to labor and social standards. Eleven callers were inquiring about their own behavior or applicable regulations within BASF. 37 calls concerned complaints from our employees about the behavior of colleagues, superiors or the company in general. Of these complaints, 12 calls were verified as actual violations of our standards of behavior. The resulting personnel measures ranged from refresher courses on our standards of behavior through verbal and written warnings or even dismissals.

The verifiable violations are divided into ‘substantial’ and ‘non substantial’ incidents on the basis of globally agreed criteria and taking into account special regional conditions. For example, a ‘substantial’ violation would be present if an employee was not granted the right to paid vacation or if the entitlement was below the locally applicable and recognized standard. In the reporting year 2009, one verified violation of our behavior standards was classified as ‘substantial’. This violation concerned the area discrimination / harassment.”

The information provided about the annual survey is not extensive, but still provides an introduction to BASF's efforts in this area to uphold the second principle of the Global Compact.

“We conduct an annual survey among our Group companies on a variety of topic areas including compliance with basic legal conditions, as well as with human rights and the internationally recognized labor and social standards. The specific subject of the questionnaire is derived from our self-commitments and stakeholder requirements, i.e. customer inquiries, rating agencies or standards of reporting.

Generally, the questionnaire addresses the following main issues:
 applicable standards,
 established process for compliances with the standards,
 effectiveness of the established processes.

The survey among our Group companies provides us with a comprehensive overview of the extent of compliance with applicable laws and our self-commitments within the BASF Group. Designated experts in our Group companies answer the questions. The information provided by our Group companies is spot-checked by independent auditors at the respective locations and certify the results of our annual survey. Any questions arising are discussed with the Group companies concerned to institute necessary measures. We continuously update the questionnaire to take into account constantly changing economic background conditions and the requirements of our stakeholders.”

Principle 3 of the Global Compact, interestingly enough, relates to the principles held by a particular business. BASF dedicates entire pages to its Values and Principles, but outlines the way it implements these principles here:

Principles

- Our communication within the Company, with our business partners, neighbors and relevant opinion leaders in society, is based upon an open and factual dialogue.
- We involve our employees in work and decision processes in a timely manner through open communication and information sharing not hindered by hierarchical and organizational boundaries.
- Goals, priorities and responsibilities are mutually agreed upon by managers and their employees or teams.
- We encourage entrepreneurial initiative by means of appropriate empowerment. Managers discuss with their employees, on a regular basis, their ongoing development and encourage their commitment to continuous learning.
- BASF strives to maintain relationships with elected employee representatives in good faith and mutual respect based on internationally recognized fundamental labor standards and orientated towards the customs of the respective countries.

Principles four and five, which regard the elimination of forced labor and of child labor, are both addressed in statements released by BASF regarding social standards. BASF, in addition to complying with policies for human rights, holds its suppliers to high standards and it is BASF policy that suppliers also observe employee rights. These policies are given, succinctly, as:

Social minimum standards

The protection of human rights and the observance of fundamental labor and environmental standards – these are principles that should be a matter of course for all global companies.

For us, this commitment also means that the weekly wage paid by all BASF Group companies is considerably higher than the respective minimum standard required by law. We are closely following the current discussions on human rights and business. For example, we will evaluate the study recently published by Amnesty International – Business & Human Rights: A Geography of Corporate Risk – with respect to BASF.

Suppliers must observe employee rights

Our purchasing activities comply with the United Nations' Global Compact Initiative – we insist that suppliers do not employ children or use forced or bonded laborers. Our conditions for the purchase of technical equipment and goods specify that suppliers must comply with the International Labor Organization's (ILO) employment standards.

In addition to these short paragraphs regarding employment standards, BASF also has other web pages that address employment standards under <http://www.basf.com/group/corporate/en/sustainability/employees/human-rights/index>.

Principle six of the Global Compact addresses the issue of inequality, an issue more thoroughly discussed in some company groups than others. BASF's website outlines its efforts not only in racial discrimination but also gender discrimination. Equality for men and women is something that BASF takes into serious consideration, and in Germany in particular women employees have considerable benefits, largely as a result of German law. However, within BASF women are still underrepresented in managerial positions. Currently, BASF only has one female member on its Board of Directors. (BASF 2011, 124) BASF describes some of its efforts in eliminating discrimination:

“Combating inequality

Many Group companies are working to combat discrimination and promote equality. At BASF Corporation in Mount Olive, New Jersey, regular presentations on the history of African-Americans are held by the AAEG (African-American Employees Group).

BASF also includes a table that outlines what percentage of BASF Group companies conduct programs which combat discrimination in respect to women, disabled persons, and other ethnic groups.

Anti-discrimination programs		
Percentage of BASF Group companies with programs to combat the discrimination of:	2001	2000
Women	48.0%	48.1%
Disabled persons	46.0%	41.0%
Certain ethnic groups	33.0%	39.0%

Promoting equal opportunities for men and women at the company

Women are still forced to choose between family and career to a much greater extent than their male colleagues. It is in the interests of BASF that highly qualified female employees do not have to forget about their career if they want to start a family. For this reason, BASF has innovative regulations on working hours and for new parents that are aimed at helping all employees to achieve the right balance of family and career.

Women in managerial positions

In 1999, the Board of Executive Directors decided on measures to encourage the career development of women for managerial positions. Career Plans are prepared as soon as possible to allow women to balance family and career. In addition, we clearly state that employees’ career prospects will not suffer adversely due to career breaks or temporary part-time work.”

One of the most often issues associated with sustainability regards environmental concerns. Principles seven, eight and nine of the Global Compact are devoted to this important aspect of a business’s sustainability, and BASF takes not only the Global Compact’s principles into account in developing sustainable business, but also its own environmental goals and international guidelines. BASF has also made progress in creating tools that other business can use to evaluate, such as its Eco-Efficiency Analysis.

BASF's website that addresses how the company implements the principles of the Global Compact separates its efforts for the principles seven and eight, taking a precautionary approach to environmental challenges and undertaking initiatives to promoting greater environmental responsibility, from principle nine, which relates to the development of environmentally friendly technologies. For principles seven and eight, BASF points to its involvement in Responsible Care, a voluntary initiative by the chemical industry; its goals for environmental protection 2020; its efforts in biodiversity, climate change, and climate protection; its approach to product stewardship, and makes a case for the benefits of the Production Verbund.⁶ BASF also has many efforts in increasing environmentally-friendly technology to comply with principle nine. These include its Eco-Efficiency Analysis, biotechnology including biodegradable plastics, efforts in resource conservation and use of renewable materials, and other innovations for sustainable development.

BASF's Eco-Efficiency Analysis is an effort to not only improve BASF's sustainability performance, but also that of its customers and customers' customers. "Eco-efficiency analysis looks at environmental impact in proportion to a product's cost-effectiveness... Eco-efficiency analysis can also be used to identify ways to make improvements in terms of environmental impact and cost. ...Eco-efficiency analysis examines the entire life cycle of a product or process "from cradle to grave", i.e. all the way from raw materials sourcing, to product manufacture and use, to disposal. BASF established this holistic method as early as 1996 and was one of the first companies in the chemical industry to do so. Eco-efficiency analysis is certified by TÜV-

⁶ Information about BASF's environmental goals and how the company is performing regarding them is available in the 2010 Annual Report on page 20.

(German technical inspection and certification organization) and by NSF (National Sanitation Foundation). BASF has conducted more than 400 analyses using the system, in many cases on behalf of customers.” (Eco-Efficiency Analysis n.d.) The Eco-Efficiency Analysis is probably BASF’s most important and far-reaching effort to advance sustainability, not only for itself but also for other companies.

The topic of anti-corruption is a field in sustainability that is not always addressed; the German government does not include anti-corruption in its ten golden rules of sustainability. BASF addresses each of the ten principles of the Global Compact, so it can be expected that the company would address this specific principle. Anti-corruption is also a topic covered in the Dow-Jones Sustainability Index. Regarding principle ten, the elimination of corruption, BASF reports:

“Corruption is also part of training on our Code of Conduct. For BASF, regular training is the most important way of firmly establishing the concept of compliance within the company.”⁷

In January 2004, BASF SE in Ludwigshafen launched a broad based information and training campaign to inform and continuously update employees about the Compliance Program.

In their first year of employment, all our employees take part in a basic compliance training, in which they are introduced to the BASF Values and Principles, Code of Conduct, Compliance Hotline and Compliance Program. Since 2007, BASF has offered refresher courses, using interactive learning tools whenever possible. In addition, we hold regular training courses on specific legal topics tailored to the area of work of the employees. Through this training, we make it clear that our Values and Principles, Code of Conduct and the Compliance Program are binding for every single BASF employee and that no breach will be tolerated. In 2008, over 26,000 employees took part in compliance training.

In the United States, BASF installed a Legal Compliance and Education Center (LCEC) on the company’s intranet as far back as 1997. Employees with the relevant responsibilities are familiarized with the Compliance Program by means of a web-based training program. Executives and employees in marketing and sales additionally work on more advanced training modules. More than 7,000 employees in the United States, Canada, Mexico and South America had registered with the LCEC by the end of 2003.”

⁷ Bold text in the original.

It is evident, then, that BASF takes anti-corruption seriously, not only within Germany but also in other countries in which it operates.

In addition to BASF's discussion of its implementation of the Global Compact on its website, the company has a document on the United Nations' website that explains its commitment to the Global Compact. This document, which does not detail all of its implementation practices, summarizes how the company feels about the importance and benefit of the Global Compact. "The focus of the Global Compact lies on the individual strengths that each member can contribute to the progress of the initiative as a whole. In this way, the concept of best practices is a cornerstone of the Global Compact, since it enables the partners in the Global Compact Alliance to detect potential synergies and win-win situations which best help to put the principles of the Global Compact into practice." This outlook is indicative of BASF's thorough implementation of the Global Compact and its attitude towards advancing sustainable development.

V. Conclusions

BASF has managed to take a broad spectrum of expectations in sustainability and incorporate them very successfully into its business plans and operations. Not only does BASF have exceptional implementation of sustainable development within its governance and strategy, but it also incorporates all of the ten principles of the Global Compact. BASF also has excellent sustainability reporting, and is open and visible in its implementation of the ten principles. The company also upholds the golden rules outlined by Germany's government, to the extent that it is able. Naturally, BASF cannot uphold the rules relating to the federal government or citizens, or sectors of the economy in which it does not participate. However, BASF actively informs its customers and makes public information regarding its products and policies, and makes a contribution to sustainable technologies. BASF espouses the final rule of Germany's Ten Golden Rules, regarding support of an international framework and integrated approach to sustainable development. This final rule suggests the sort of framework found in the UN Global Compact. The focus outlined by the Global Compact in the four main areas of human rights, labor practices, environmental standards, and anti-corruption is upheld by BASF, and each topic is thoroughly explained and executed in multiple ways throughout the company's operations. BASF protects human rights interests within its own operations and strives to ensure that companies it does business with uphold them as well. BASF has been successful in eliminating forced labor and child labor in its operations as well as partnering with businesses that do the same. In the sphere of environmental standards, BASF has been making great strides towards reducing its own environmental impact and

creating technologies and processes that can be used by customers and companies as well. In keeping with BASF's Values and Principles, BASF seeks to eliminate corruption and ensure that it extends this approach in all countries, not just Germany. Criticism exists regarding BASF's sustainability implementation, but BASF's intentions and internal policies indicate a sincere effort to fulfill the commitment to Global Compact. BASF thus strives to implement the principles of the Global Compact and continues to make sustainable development a top priority.

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