



We create chemistry

BASF Palm Sourcing Policy

Revision from February 2021

This **BASF Palm Sourcing Policy** further specifies key elements of our palm related sourcing and is based on our [BASF Supplier Code of Conduct](#), the general [BASF Forest Protection Position](#) and [BASF Human Rights policy](#) and [BASF Group Position on Human Rights](#)

As BASF we live our corporate purpose “We create chemistry for a sustainable future” by sourcing and producing responsibly, acting as a fair and reliable partner and connecting creative minds to find the best solutions for market needs. Palm oil, palm kernel oil, and their derivatives are some of our most important renewable raw materials and oil palm is a crop with by far the highest land-use efficiency among all vegetable oils. However, the production of oil palm has long been associated with deforestation, which contributes to climate change, biodiversity loss, soil erosion and water pollution and it is also linked to human rights and labor abuses. BASF shares the widespread concern about these issues and BASF is committed to reducing the impact on the environment and social aspects connected to our palm sourcing.

Therefore, BASF aims to foster the transformational change needed in the palm oil supply chain to deliver more efficient land use and forest and peat conservation, while increasing inclusion of and positive social impact for smallholders to support improvements in their productivity and livelihoods based on a rigorous implementation of a free-prior-informed consent process and social impact assessments.

We strive to collaborate with our suppliers to address the disconnects in the system to enable significant improvements in the oil palm value chain especially for palm and palm kernel oil and its derivatives and to co-create a shared solution to the palm dilemma. We need our suppliers to work with us toward those improvements and towards the transformational change needed in the palm and palm kernel-based supply chain.

We expect you as a supplier to BASF to address the key elements below in your supply chain. The adherence and adoption of these key elements shall be across your own operations, your investments regardless of share and across your 3rd party palm supply chain.

Forest & Peat Conservation

- No development on HCS (High Carbon Stock) forests or HCV (High Conservation Value) areas
- No development on peat regardless of depth



We create chemistry

- No burning in the preparation of new plantings and re-plantings
- Any new development activity must utilize international best practice from HCS Approach, from High Conservation Value Resource Network (HCVRN) and from the principles and criteria of the Roundtable on Sustainable Palm Oil (RSPO)
- You develop new plantings in accordance with the newest HCS Approach Toolkit
- Application of RSPO Best Management Practices for existing plantations on peat
- Work with experts and stakeholders to explore options for peat restoration
- You promote the dialogue toward a landscaping approach
- You increasingly source your oil palm raw materials from oil palm supply chains which are fully committed to NDPE (**N**o **D**eforestation, **N**o **P**eat, **N**o **E**xploitation) policies and the HCS Approach

No Exploitation

- Adherence to recognized international human rights and labor standards as they are also founding BASF's Human rights policies. Not limited to but at the core we expect all of our suppliers to respect especially and unconditioned the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective abolition of child labor, the elimination of discrimination in respect of employment and occupation, workers having unrestricted access to their ID cards and passports, provision of written documentation (in native language) about terms and conditions of work and the employer to bear all fees and costs associated with recruitment and employment
- Rigorous implementation and application of a free-prior-informed consent process and social impact assessments
- Continuous engagement into the enhancement process toward free and fair labor
- Protection and promotion of land rights of communities and indigenous people
- Respecting indigenous peoples' and local communities' formal and customary rights to lands, territories, and resources
- Engagement in a consultative and transparent process for conflict resolution
- Promotion of gender equality in oil palm production and value chain
- Support the inclusion of smallholders in the palm supply chain



We create chemistry

Transparency & Supply Chain

- Reporting on breaches of BASF's policies and of the expectations set up in this document shall take place on awareness as soon as possible
- You increase accessible transparency into different layers of your palm supply chain according to BASF's information needs
- You submit to BASF comprehensive and adequate quality information on traceability of your palm supply chain e.g. to traceability to oil palm mill level and ultimately on traceability to plantation - but not limited to
- You encourage your suppliers and their 3rd party suppliers to increase transparency of your and their palm supply chain
- The transparency of your palm supply chain is matching the requirements of BASF (currently twice per year: traceability needs to be expressed per unit operation supplying to BASF and needs to comprise refineries, palm kernel crushers, palm oil mills and palm plantations connected (directly and indirectly) to your unit operations supplying to BASF together with GPS codes, names and group companies for all levels, Unified Mill list IDs, Unified Crusher IDs, Unified Refinery IDs and Unified plantation IDs)
- You will cooperate with BASF to verify your compliance to BASF's policies through third party assessments in on-site audits on request

Our relationship with you as our palm-based raw material supplier is based on mutual trust and respect. You may demonstrate your commitment to BASF's policies and the expectation set up in this document through compliance with your own palm policy that embraces these key elements. You will work with us in a regular strategic dialogue to address progress on the key elements above.