



We create chemistry

# RESPONSIBLE SOURCING REPORT 2024

**FOR THE CARE CHEMICALS  
OPERATING DIVISION**





## A FOCUS ON SUSTAINABILITY

Dear readers,

In an era where sustainability and responsible sourcing are paramount, BASF remains steadfast in its commitment to fostering a more sustainable future. This Responsible Sourcing Report for the year 2024 highlights our ongoing efforts and achievements in sourcing key raw materials. The three pillars of sustainability – economy, environment and society – are firmly anchored in our company's strategy, targets, and operations. Our corporate purpose, "We create chemistry for a sustainable future," makes it clear: we are committed to contributing to a world that provides a viable future with an enhanced quality of life for everyone by creating chemistry for our customers and society, making the best use of available resources.

As President of the company's Care Chemicals division, I am dedicated to making this vision a reality. We source and produce responsibly and act as a fair partner, recognizing the critical role of smallholders. We are committed to improving their livelihoods through responsible sourcing. To this end, we work closely with partners in the supply chain to transform the market and emphasize the importance of social measures to protect high carbon stock forests.

We have made significant progress in our journey towards sustainable sourcing. In 2024, we sourced and certified sustainable palm oil, supported smallholder farmers, and promoted regenerative farming practices. Our efforts in sourcing Rainforest Alliance-certified coconut oil and implementing sustainable castor oil production through Project Pragati have positively impacted the livelihoods of farmers and the environment.

The Responsibly Active program, launched in 2022, underscores our dedication to the responsible sourcing of bioactive ingredients. We are devoted to maximizing the use of renewable resources and fostering organic farming practices. This ensures the protection of local biodiversity and the assurance of traceability.

Looking ahead, we anticipate significant growth and transformation in the markets for renewable raw materials, driven by the global shift towards sustainable energy solutions. Despite challenges such as supply chain disruptions and evolving regulatory landscapes, we remain committed to our sustainability goals. Our proactive approach to adapting sourcing strategies and maintaining high sustainability standards will enable us to navigate the complexities of the market while contributing to a sustainable and low-carbon economy.

This report reflects BASF's unwavering dedication to responsible sourcing and sustainable practices. We invite all stakeholders to join us on this journey towards a more sustainable future.

Sincerely,



Mary Kurian



## FOREWORD





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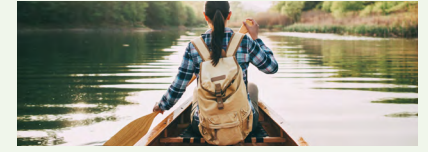
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## CARE 360° – SOLUTIONS FOR SUSTAINABLE LIFE

We as the Care Chemicals division of BASF carry the passion to care in our DNA: We care for our customers, consumers, employees, society and our planet. This is what sets us apart and motivates us.

Care 360° – Solutions for Sustainable Life is our global, cross-business and holistic approach to cover all topics relevant to the future of our markets and industries: sus-

tainability, digitalization, innovation and new approaches to working together.

Think of it as a canvas where we can sketch the future and collaboratively find solutions for sustainable life.

Care 360° lays the foundation for us to evolve our relationship with you – and create value together.



CARE 360°





## CARE 360°

### CARE 360° – SOLUTIONS FOR SUSTAINABLE LIFE

#### WHY DO WE CARE?

Across BASF, we share a passion for excellence in chemical engineering and innovation in the service of our customers, society and our planet. Our expertise and the power of our Verbund integration place us in a uniquely strong position to make a decisive contribution to changing the world for the better. We are committed to achieving this goal, as summarized in our corporate purpose: “We create chemistry for a sustainable future.”

As a globally leading supplier to the industries of personal care, home care, industrial & institutional cleaning, and technical applications, BASF’s Care Chemicals division is inherently focused on this mission. We not only create ingredients and solutions we also care for the needs of our customers, society and the environment.

Our dedication and passion to care in all dimensions is a challenge and an opportunity: each and every one of us at Care Chemicals is called upon to advance our role as the first-in-mind partner for using our knowledge to deliver high-performance sustainable solutions. Whether renewable feedstocks, sustainable supply chains or products with a lower product carbon footprint, we have the expertise, resources and passion to help transform the industries we serve. This means taking a proactive approach to the marketplace, not only meeting existing needs, but also providing solutions for a sustainable future.

#### WHAT’S IN IT FOR YOU?

##### We want to make a difference

Consumers are increasingly aware of sustainability topics. And the markets we serve across the Care Chemicals division are particularly sensitive to public scrutiny, especially given the increase in transparency that digitalization is bringing: whether the environmental impact of detergents, the naturality of cosmetics or overall CO<sub>2</sub> footprint, manufacturers using our products need to meet high standards. We can help you turn this challenge into an opportunity through our expertise, knowledge and leveraging digital solutions.



## WE OFFER SUSTAINABLE SOLUTIONS FOR TODAY'S AND TOMORROW'S CHALLENGES

From nature-sourced, renewable actives for personal care products to plant-based surfactants for cleaning products, our sustainable solutions answer the demands of today's consumers and industrial users. Equally importantly, we can back our sustainability promise with transparent and verifiable facts. It is our collective responsibility to raise internal and external awareness of our sustainability credentials and how they benefit our customers, our company and society.

## CREATING A NEW CUSTOMER EXPERIENCE IS KEY TO MAKING A DIFFERENCE

Power in innovation and application knowledge is what BASF is known for. In the past, we have successfully proven our broad capabilities and deep expertise. This made us a leader in our markets. Care 360° builds on this foundation. With our digital services we are there for our customers 24/7, enhancing daily interaction with existing customers and offering new opportunities for potential customers. And by combining personal relationships with digital interactions, we as Care Chemicals will deliver a seamless experience that enriches the transition to Solutions for Sustainable Life.

From discovering and exploring solutions, to sampling and buying our products, Care 360° – Solutions for Sustainable Life will create a number of advantages such as more convenience, improved ease-of-doing business, and faster go-to-market through our cutting-edge digital services.



# CARE 360°



# SUSTAINABILITY NETWORKS & RATINGS

## OUR COLLABORATIONS

BASF is engaged in sustainability networks to better understand the societal trends that drive our business, to help shape measurement and performance standards, and to partner for joint contributions to sustainable development. Examples include:



## RATINGS







Founding member of the “Together for Sustainability” joint supplier rating initiative



# WE SOURCE RESPONSIBLY



### BASF 2030 GOAL:

By 2030, **80% of our suppliers** who underwent a sustainability evaluation during the reporting period, and who had inadequate results in a prior comparable evaluation, improve their sustainability performance.

**Supplier Code of Conduct** rooted in internationally recognized standards such as the principles of the UN Global Compact

Engaged in **global initiatives** to improve sustainability performance in the supply chain, e.g. Roundtable on Sustainable Palm Oil (RSPO), Sustainable Castor Oil Association, High Carbon Stock Approach (HCSA).



**INCREASE IMPACT OF EVALUATIONS AND IMPROVE SUSTAINABILITY PERFORMANCE IN THE SUPPLY CHAIN**



**TOGETHER FOR SUSTAINABILITY**



# FOREST PROTECTION POLICY: INTRODUCED IN JUNE 2020

We recognize the importance of protecting the world's forests

for the wellbeing of the environment and society



Palm (kernel) oil, soya oil and its derivatives, and lignosulfonates extracted from wood are commodities with high deforestation risks



A key challenge is to enable the sustainable intensification of agriculture by increasing productivity on existing land, thus decreasing the pressure on forests



Collaboration is needed to raise and increase awareness, drive the necessary market transformation and achieve impact on the ground



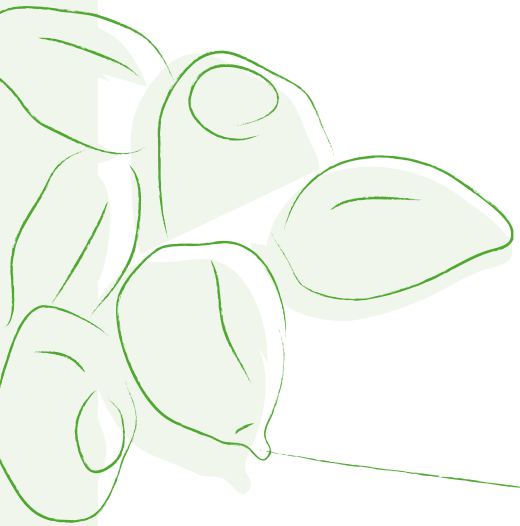
We will drive the compliance to our ambition and principles in all our renewable value chains



“We acknowledge our responsibility as an actor in various value chains and therefore, strive to end deforestation within those.”







# PALM OIL





# KEY FIGURES

## BASF PALM FOOTPRINT 2024



in **2024**

we sourced 98.1% of our palm (kernel) oil RSPO-certified



We have increased our efforts to improve supply chain transparency and traceability. We were able to trace 96.7% of our overall palm (kernel) oil exposure back to the oil mill level in 2024.



~ **390,000**

metric tons represent BASF's oil palm exposure in 2024



> **800**

BASF raw materials are palm-based



**25**

BASF RSPO-certified sites globally



# CORE ELEMENTS OF OUR PALM COMMITMENT



Protection of forests and peat



Human and labor rights



FPIC



Traceability



Smallholders inclusion



Stakeholder dialog



Progress report





When the Roundtable of Sustainable Palm Oil (RSPO) was founded in April 2004, BASF regarded it as a milestone for the palm oil world. As a result, BASF became a member of the RSPO in November 2004, very soon after launch. Since then, the RSPO has had a remarkable journey towards the sustainable certified production of palm and palm kernel oil – especially with the renewal of the Principles and Criteria in 2018. We therefore see the RSPO as a standard implementation of a strong No Deforestation, No Peat, No Exploitation (NDPE) policy.

BASF's Palm Commitment was first published in 2011 and expanded in 2015 to include NDPE requirements, a Palm Sourcing Policy for products derived from oil palm that covers forest and peat conservation, social impact assessment requirements, and human and labor rights. Our 2020 target was to source all oils from RSPO certified sources, and by 2025, to extend this commitment to include main intermediates.

Due to a lack of market availability, we were unable to source all of our palm and palm kernel oil demand from RSPO-certified sources in 2024. However, we have sourced 98.1% of our palm (kernel) oil demand from RSPO-certified sources.

After careful analysis, we have integrated our palm oil commitment in our overarching BASF Group Position on Forest Protection. The scope covers oils and fats, grains, sugar and wood from our third-party supply, from our own operations, as well as our products. As a member, BASF is also fully committed to the High Carbon Stock Approach (HCSA) initiative, which drives integrated land-use planning for oil palm development.

To support BASF's NDPE Commitment, we have developed an agile, responsive and insightful palm grievance procedure that covers direct and third-party suppliers. The process handles grievances related to BASF's palm oil supply chain, including suspension if necessary. We respect the RSPO grievance procedure. Actions and decisions on raised grievances made by the RSPO are taken into account. The BASF grievance procedure is published on the BASF Care 360 website: [www.care360.basf.com](http://www.care360.basf.com)

BASF received an A- rating from the Carbon Disclosure Project (CDP) in 2023 for its efforts to stop deforestation caused by palm oil production. CDP is a civil society organization that operates the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

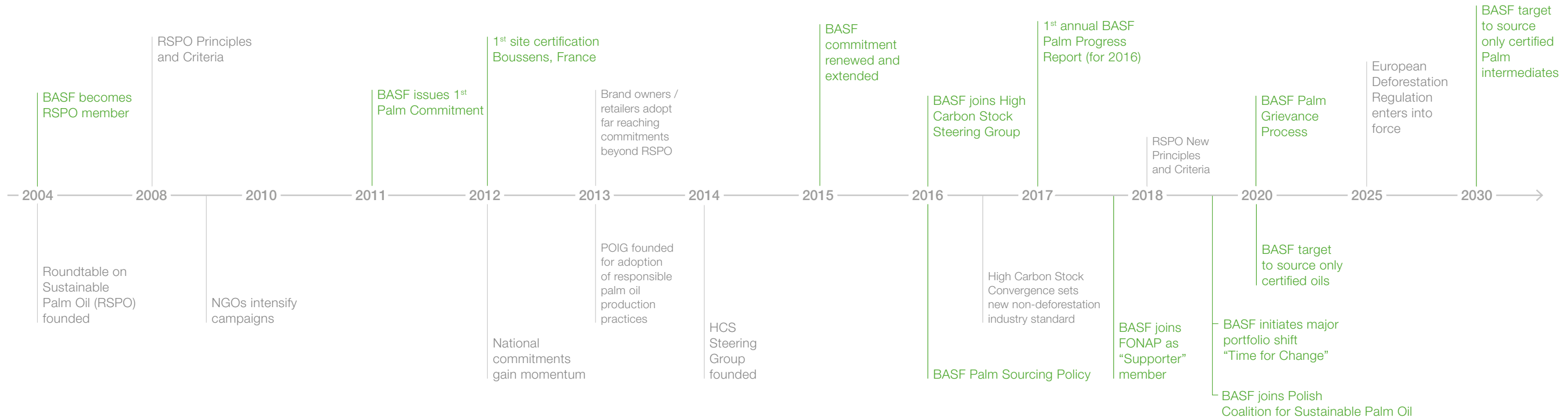
Current forecasts indicate that the CSPKO market will remain tight until 2030, when the CSPKO consumption for both consumer and industrial goods producer will reach the targets of their published Time-Bound Plan (TBP). This sustained demand exceeds supply capacity and requires a comprehensive reassessment of sourcing strategies.\* In addition, the upcoming European Deforestation Regulation is expected to exacerbate existing supply constraints. The anticipated regulatory framework is likely to result in a shortage of materials suitable for supply to the European market. The introduction of the EUDR, scheduled for December 30, 2024, and postponed at very short notice, already had a significant impact on the structure of supply chains in Q4 2024. The availability of certified volumes at commercially viable conditions, which was particularly necessary to build up stocks to ensure supply capability during the transition period to the new directive, was not always assured.

\* RSPO Impact Report 2022, p. 73, available online: <https://rspo.org/wp-content/uploads/RSPO-Impact-Report-2022.pdf> (last accessed February 2, 2025).



## OUR JOURNEY – BASF'S PALM COMMITMENT





# TIMELINE





“Collaboration and dialog along the value chain are key to pursuing our ambitious goals.”

## RESPONSIBLE PARTNERING

### OUR COLLABORATIONS

As a strategic supplier and a link between raw material producers and manufacturers, we want to make a difference in the palm industry. Collaboration and dialog along the value chain are key to pursuing our ambitious goals on path to responsible palm oil sourcing.

BASF joined the RSPO in 2004. Since then, we have actively participated in the organization’s consultations, in particular in the Oleochemicals & Derivatives subgroup of the RSPO Trade & Traceability working group.

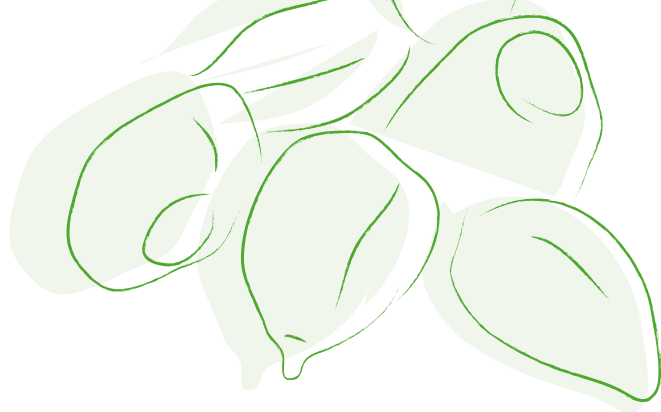
In order to leverage industry activities to stop deforestation, we became a member of the High Carbon Stock (HCS) Steering Group in 2016 and have since then integrated the criteria of the High Carbon Stock Approach (HCSA) into our Palm Sourcing Policy. BASF strengthened its commitment to certified sustainable oil palm products in the Ger-

man, Austrian and Swiss markets by joining the Forum for Sustainable Palm Oil (FONAP) in 2017 as a producer of oleo derivatives (category “Supporter”).

In 2019, BASF, together with eleven founding members, signed the declaration of the Polish Coalition for Sustainable Palm Oil (PKZOP; Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego). The PKZOP is an independent coalition that aims to achieve 100 percent sustainable palm oil in Poland by 2030.







## SMALLHOLDER INCLUSION

### OUR COLLABORATIONS

In Indonesia and Malaysia, smallholder farmers account for 40 percent of total oil palm area and 33 percent of production. This means that no sustainability policy can be effective without considering smallholders as a crucial part of the value chain. Sustainability certification, such as the RSPO, can be costly and difficult for smallholders to achieve. However, certification is in high demand and can provide smallholders valuable premiums.

#### Indonesia

In 2023 and 2024 BASF, together with a leading company for natural cosmetics, has partnered with the Indonesian non-profit organization Kaleka, to support the sustainable management of palm and palm kernel oil production in Indonesia. The smallholder project was implemented by Kaleka using a jurisdictional approach in Selunuk Village in the Seruyan District in Central Kalimantan.

The project has successfully engaged 12 farmers who have established demonstra-

tion plots using organic and recycled fertilizers, mulching, and organic pest/weed control on their 30.1 hectares of land. These regenerative farming practices have led to improvements in soil health, farm productivity, and farmer income, as well as reduced water pollution and greenhouse gas emissions. Farmers were provided with essential resources, such as the knowledge to produce organic fertilizers on their own, incentives for equipment to support regenerative agriculture, and incentives to promote livelihood diversification.

In addition, 207.07 hectares of oil palm plantations of 76 farmers achieved RSPO certification.

Following the jurisdictional approach, local authorities were actively involved in the management of the project to develop policies and regulations to replicate and scale up regenerative agriculture and ensure living wages through jurisdictional certification.

“No sustainability policy can be effective without considering smallholders as a crucial part of the value chain.”



The project was completed in November 2024. Overall, this initiative has made significant progress in promoting sustainable agriculture and improving the livelihoods of farmers in Selunuk village.

#### Malaysia and Indonesia

BASF is working with Solidaridad to foster sustainable palm oil production and empower smallholder farmers in Indonesia and Malaysia to eventually achieve RSPO certification and meet the national sustainability standards Indonesian Sustainable Palm Oil (ISPO) and Malaysian Sustainable Palm Oil (MSPO 2.0).

The main objective of the Indonesian project is to strengthen 1,000 (30% female) palm oil smallholders to improve sustainable palm oil practices through the implementation of Best Management Practices and Good Agricultural Practices, traceability system and empower smallholder farmer organization to support East Kalimantan Green Development Commitment in East Kalimantan as well as Indonesia's climate Nationally Determined Contribution (NDC) goals. The project takes a holistic approach, involving not only smallholders but also palm oil mills and the wider community. By fostering collaboration, building capacity, and providing targeted solutions, the project





aims to create a sustainable palm oil sector that benefits all stakeholders and supports East Kalimantan's green development commitments to achieve prosperity in the region.

The Malaysian part of the project will be implemented in Perak and Johor on the Malaysian peninsula. Over three years, 600 farmers will be trained, with a focus on 60-70% women smallholders. The project aims to increase farmers' productivity by 10-15%.

In addition, the initiative aims to increase smallholders' adaptive capacity to climate change through training, boost rural incomes by diversifying livelihoods, recycle food waste through composting, and promote sustainable rural development through partnerships and capital mobilization.

In its first year, the project made significant progress in supporting smallholder palm oil farmers, with a particular focus on women producers in Malaysia and Indonesia. Both

country programs faced initial challenges with stakeholder engagement, but gradually gained recognition through persistent communication and targeted training approaches. A post-training survey of 124 respondents provided valuable insights into training effectiveness and future needs, which will contribute to the project's strategic approach in the coming year. The initiative represents a comprehensive effort to support sustainable palm oil production, empower women smallholders, and improve agricultural practices across both countries.

#### **Colombia**

In 2024, BASF entered into a strategic partnership with the non-profit organization Solidaridad and Fedepalma, the industry association representing the interests of 6,713 oil palm growers and mills in Colombia. This collaboration aims to increase the production of palm oil and palm kernel oil in Colombia through the accelerated adoption of the APSColombia protocol, which emphasizes sustainable practices.

The primary objective of this collaboration is to foster sustainable palm oil production in Colombia by encouraging the adoption of improved management practices by local producers. The project aims to achieve the following results by the third year of operation: A total of 1,577 producers will adopt better management practices to ensure zero deforestation in line with BASF's palm oil sourcing policy, including 305 women (~ 20%). In addition, 2,614 workers will experience improved working conditions, including 261 women (10%). The project will manage 59,500 hectares of land according to APSCO and/or RSPO environmental criteria. Among 300 smallholder palm oil producers, yields are expected to increase by 10% resulting in higher incomes and greater resilience to climate change. High Conservation Value (HCV) areas in the impact zone will be

mapped and characterized, with at least 50% of the HCV areas monitored. The project will focus its efforts in two of the four primary production zones, which represent higher intervention areas for smallholder oil palm producers; Magdalena, Cesar, Córdoba, and Antioquia in the north and Narino in the southwest of Colombia.

In 2024, the project was successfully socialized with small producers and the technical teams of the extraction plants, leading to the inclusion of producers from all prioritized areas. A baseline survey was consolidated for 66% of the producers to monitor the progress of the project. The training process started through the Agrolearning platform. During the first quarter 458 people participated, 67% male and 33% female.



## OUR PROGRESS

BASF is one of the leading global suppliers for ingredients for personal care, home care, industrial and institutional cleaning and technical applications, as well as for food performance and health care. A significant share of our products are based on renewable raw materials, including a high proportion based on oil palm. We are a major consumer of palm kernel oil and its derivatives and, to a lesser extent, palm oil. We process these products into ingredients for the above-mentioned industries.

BROAD RANGE  
OF SUSTAINABLE  
INGREDIENTS

# CUSTOMER INDUSTRIES

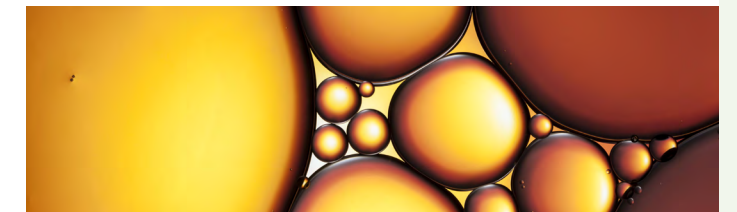
## CARE CHEMICALS

Our products are predominantly based on palm kernel oil. The C-chain distribution for palm kernel oil includes a high percentage of C12-14-chains. This composition is ideal for ingredients used in personal and home care applications. In contrast to the food industry, where the oil is basically left intact, the oleochemical industry converts the oil through chemical processes such as fractionation into different C-chain lengths and the addition of different functional groups until the final function – usually a surfactant or an emollient – is obtained. This derivatization involves at least five to ten discrete technological steps before the final ingredient is reached. This is one reason why the RSPO Mass Balance standard is currently the most widely used certification program for oleo derivatives used in personal and home care applications. The RSPO Segregated standard would require all these steps to be kept separate, resulting in a huge amount of complexity and subsequent cost.

We offer a wide range of RSPO Mass Balance certified sustainable products covering all key personal care functions: From consistency factors (Cutina<sup>®</sup>, Lanette<sup>®</sup>), emollients (Cetiol<sup>®</sup>), emulsifiers (Eumulgin<sup>®</sup>), emulsion bases (Emulgade<sup>®</sup>), surfactants (Plantacare<sup>®</sup>, Dehyton<sup>®</sup>, Sulfofon<sup>®</sup> and Texapon<sup>®</sup>) and thickeners (Comperlan<sup>®</sup>) as well as all the main surfactants for the detergent and cleaning industry and industrial formulators (Dehydol<sup>®</sup>, Glucopon<sup>®</sup>, Lutensol<sup>®</sup>, Dehypon<sup>®</sup>, Disponil<sup>®</sup>, Agnique<sup>®</sup>).

## NUTRITION & HEALTH

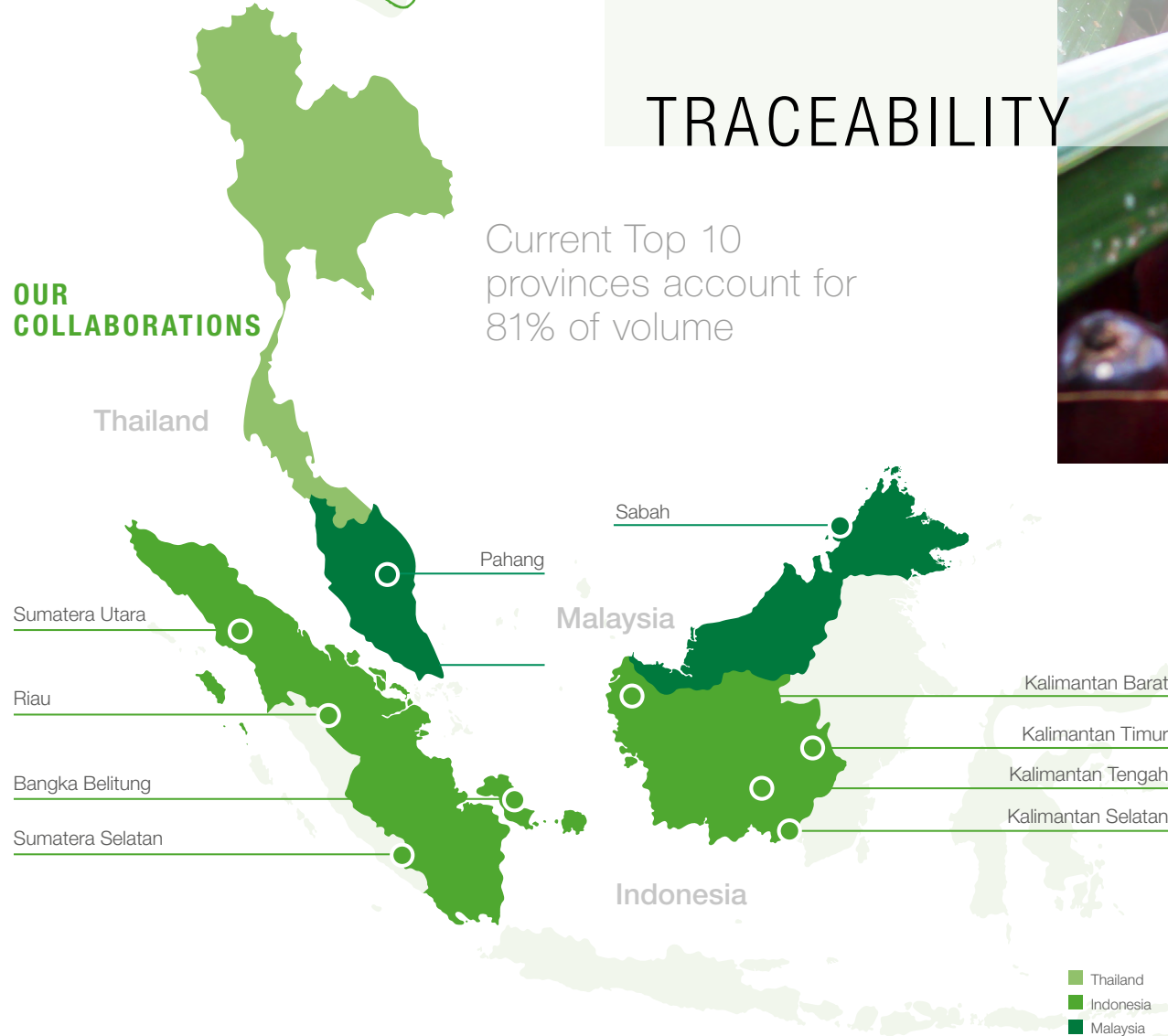
A key renewable raw material for numerous pharmaceutical excipients is palm kernel oil (PKO) and its respective derivatives. As part of our overall portfolio offering widest range of IPEC-GMP lipid-based excipients, we are the first major supplier to offer 100% RSPO certified lipid-based excipients for the pharmaceutical industry. Our lipid-based RSPO-certified products include: a broad portfolio of emulsifiers, wetting agents, solubilizers, and cream bases that are used in a variety of oral and topical pharmaceutical applications (Kollipho<sup>®</sup>); multi-functional solvents and emollients that enhance solubilization and skin penetration of some pharmaceuticals while offering a relatively benign mildness profile (Kollcream<sup>®</sup>); an extensive portfolio of structuring agents and lubricants that provide formulation stability, used in the development of numerous oral and topical dosage forms (Kolliwax<sup>®</sup>); and a product line comprised of versatile solvents functioning as solubilizers, plasticizers, lubricants, emollients, and skin penetration enhancers, ideal for both oral and topical applications (Kollisol<sup>®</sup>).







**OUR COLLABORATIONS**



Current Top 10 provinces account for 81% of volume

# TRACEABILITY



## BASF has ties to 44 provinces in **Indonesia** and **Malaysia**

The physical market transformation based on RSPO certification is an important element in our journey towards sustainable palm. In addition, traceability is the tool that helps companies along the palm oil supply chain to identify the origin of the oil they source. Knowing the potential mills and their locations makes it possible to identify and monitor whether sustainable practices are being applied at the source.

In 2024, we were able to trace 96.7 percent of our global palm footprint\* of 390,591 metric tons back to the oil mill level. We source 81.7 percent of our traceable raw material from 10 provinces in Indonesia and Malaysia and have relationships with a total of 44 provinces in the two countries, corresponding to 92 percent of our traceable raw material supply. Moreover, we are in the process of assessing the risk of our sourcing based on environmental and social criteria. We have again achieved full traceability for certified sustainable palm kernel oil sourced from 380 RSPO-certified oil mills.

\*The global palm footprint in this context includes both certified and non-certified palm-based raw materials.



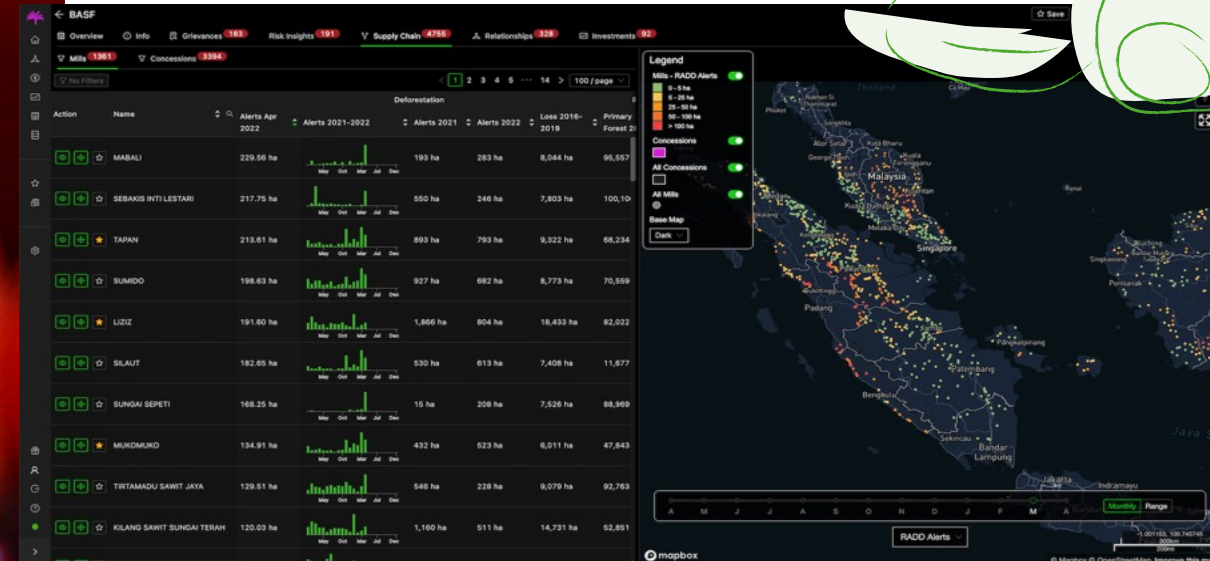
# SATELLITE MONITORING

## THE CHALLENGE

Like many derivatives manufacturers, BASF sources from hundreds of palm mills (~ 1,554) scattered along the equator. These mills source from thousands of plantations, ranging from large industrial concessions to smallholder farms. Interspersed between the plantations are blocks of remaining rainforest, some of which is home to indigenous peoples and habitat for critically endangered species such as Sumatran tigers and orangutans. The general challenge for the industry, and for BASF, is to monitor upstream suppliers and ensure that these remaining forests are not cleared for new oil palm plantations – which would be a clear violation of BASF's NDPE policy.

## THE APPROACH – PALMOIL.IO

Since 2021, BASF has been using the Palmoil.io web platform (<https://palmoil.io>) to track deforestation from plantations and link it to its suppliers. Palmoil.io brings together the critical ingredients for effective forest monitoring – forest alerts, high-resolution satellite imagery, supplier relationships, grievance information along with an estimated traceability to the plantation approach.



Source: palmoil.io

## HOW IT WORKS

Palmoil.io organizes BASF's palm mills into a list and uses RADD forest alerts every month to monitor deforestation in proximity to the mill and within nearby concessions. The mills are ranked by a number of measures, including total hectares of alerts, historical deforestation and remaining forest. This helps BASF to analyze not only which mills to prioritize, but also which concessions they are likely to be sourcing from. Recent satellite imagery is also available to verify alerts and determine whether deforestation was likely caused by palm planting.

To provide further context, Palmoil.io links mills and concessions to grievances filed by watchdogs against major palm oil traders. Grievances cover not only alleged cases of deforestation, but also human rights violations, land and labor conflicts, and pollution. Palmoil.io monitors the grievance trackers of all major palm traders, documents each case and filing them with each supplier. As BASF, we monitor whether suppliers have been suspended, initiated deforestation moratoriums, or published an NDPE policy.

## STRUCTURAL REPORTS

Palmoil.io also produces monthly risk insight reports. The reports use high resolution imagery to document and map new deforestation. The report shows before and after satellite images of the loss, traceability from plantation to mill, and likely transportation routes. It also determines whether the deforestation was caused by smallholders or industrial logging. The findings are published in a concise report that BASF sends to suppliers for further information and possible action plans to stop deforestation and comply with BASF's NDPE policy.

## CONCLUSION

Deforestation is an industry-wide challenge that requires an industry-wide effort to stop. As BASF, we believe in the obligation to contribute with our efforts towards more sustainable palm and we will continue to use tools and approaches that help us succeed in this endeavor.



# BASF HAS RSPO CERTIFICATION OF ITS PRODUCTION SITES IN ALL REGIONS – 25 SITES IN 2023

## Europe

1. Antwerp (Belgium)
2. Ballerup (Denmark)
3. Boussens (France)
4. Pulnoy (France)
5. Düsseldorf (Germany)
6. Cassina Rizzardi (Italy)
7. Gebze (Turkey)
8. Grenaches (Germany)
9. Illertissen (Germany)
10. Ludwigshafen (Germany)
11. Meaux (France)
12. New Cairo (Egypt)
13. Castellbisbal (Spain)
14. Zona Franca (Spain)

## AsiaPacific

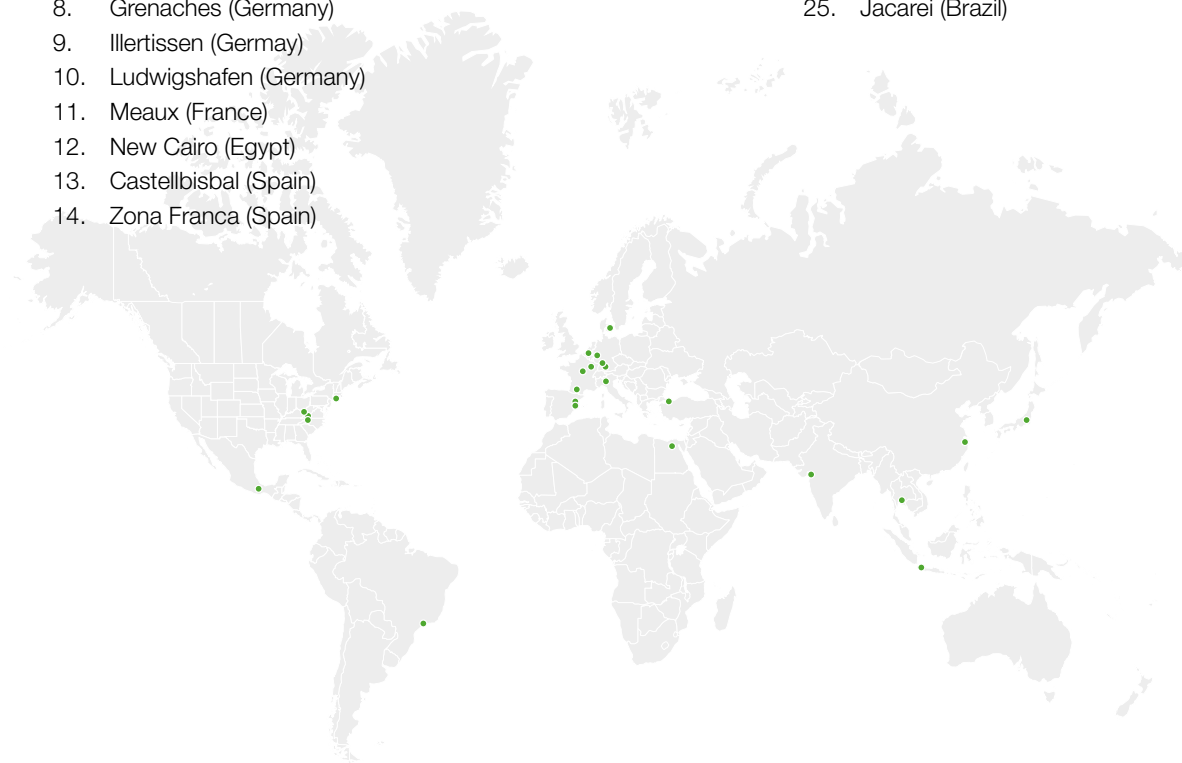
15. Jinshan (China)
16. Kitatone (Japan)
17. Muang Chonburi (Thailand)
18. Cimanggis (Indonesia)
19. Dahej (India)

## North America

20. Spartanburg (USA)
21. Mauldin (USA)
22. Cincinnati (USA)
23. Mexico (Mexico)
24. Setauket (USA)

## South America

25. Jacarei (Brazil)







# COCONUT OIL







# WE SOURCE RESPONSIBLY



**PHILIPPINES AND INDONESIA  
ACCOUNT FOR 69%  
OF THE COCONUT OIL PRODUCTION**

4%  
Mexico

12%  
India

29%  
Indonesia

40%  
Philippines

Source: Oil World annual 2023, Vol. 1, ISTA Mielke GmbH





# COCONUT PRODUCTION



## BACKGROUND

- More than 100 million people depend on coconut for their livelihoods
- Coconut provides food and water, timber and leaves for building homes, and oil and copra for fuel and a source of income
- Coconut is mostly grown by low-income smallholders (95%)
- Due to fragmented and complex value chain structures, farmers have limited access to markets, finance and technical know-how
- Farmers' resilience and livelihoods can be positively impacted through collaborative transformation projects

Coconut oil (CNO) can be used as an alternative to palm kernel oil in the production of home and personal care products. As such, CNO is an important feedstock for BASF's chemical production processes. To ensure that the coconut oil we purchase is produced in a way that supports both the environment and farmers' livelihoods, we began sourcing Rainforest Alliance-Certified coconut oil in 2018.





## WHAT IS THE RAINFOREST ALLIANCE



The Rainforest Alliance\* is an international nonprofit organization working at the intersection of business, agriculture, and forests to make responsible business the new normal. The Rainforest Alliance creates a more sustainable world by using social and market forces to protect nature and improve the lives of farmers and forest communities. It addresses the following issues...

\* <https://www.rainforest-alliance.org/>

## OUR CORE VALUES





# SUPPORTING PEOPLE AND NATURE...



# CERTIFIED SITES

... THRIVING TOGETHER WITH RAINFOREST ALLIANCE CERTIFIED INGREDIENTS



## LIVELIHOODS

... contributing to lifting rural people out of poverty by improving sustainable livelihood opportunities for farmers, workers and their families.



## CLIMATE

... training farmers to grow better crops through climate-smart agriculture that helps them mitigate and adapt to climate impacts.



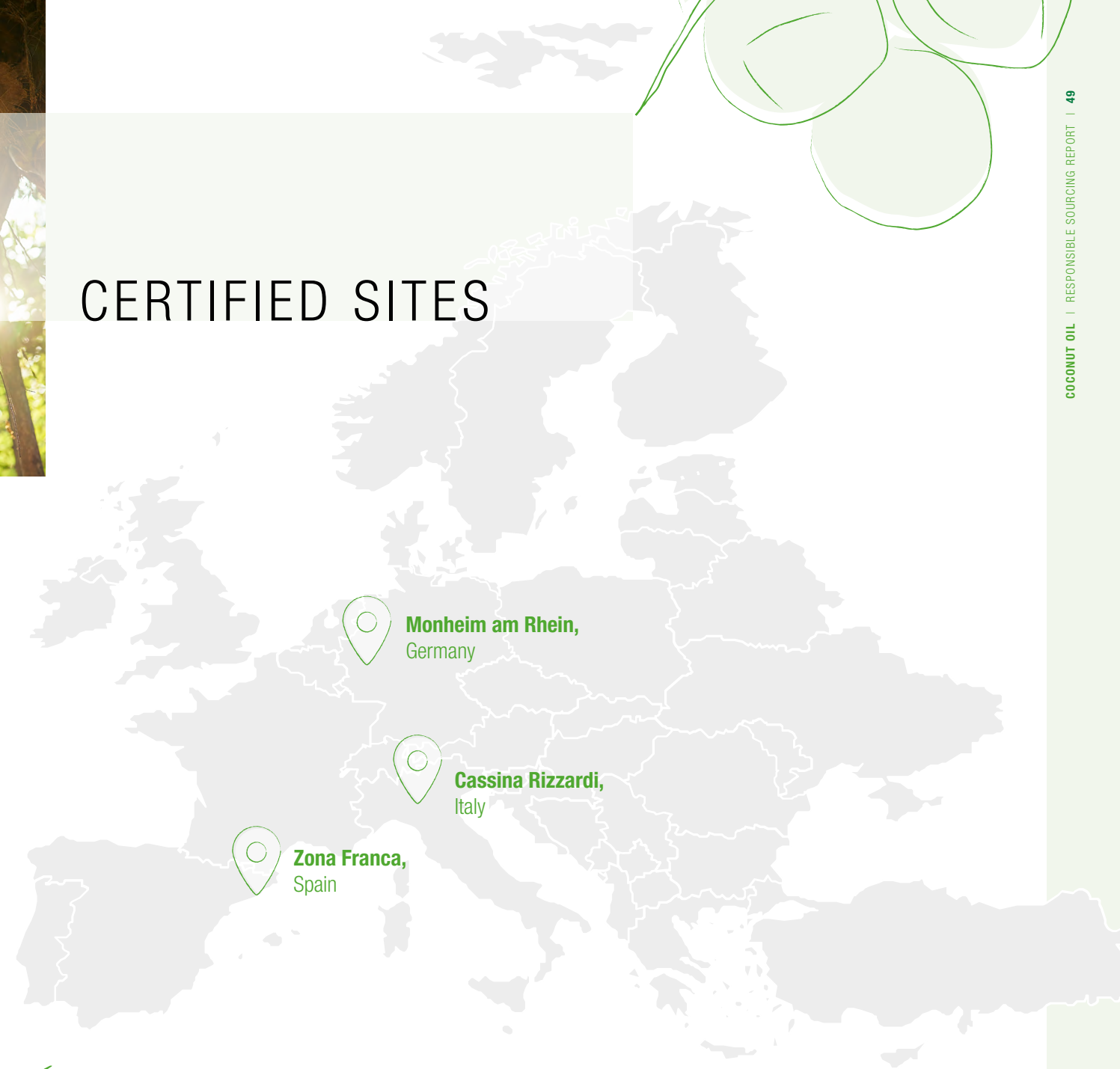
## FORESTS AND BIODIVERSITY

... promoting more sustainable land management practices to protect forests, biodiversity and natural resources.



## HUMAN RIGHTS

... addressing human rights abuses such as child and forced labor, low wages, poor working conditions, and gender inequality.



Monheim am Rhein,  
Germany

Cassina Rizzardi,  
Italy

Zona Franca,  
Spain





# CASTOR OIL







**~90%**  
of the world's  
castor seeds  
produced in India\*

**~1.98**  
million metric tons of castor  
seeds produced in India\*

Castor oil is used in a variety of industries, including the cosmetics sector, owing to the beneficial properties of its main component, ricinoleic acid. The castor plant has sustainable qualities: it is drought resistant and does not compete with the food chain for human or animal consumption. It is also an important and profitable crop for farmers, offering several advantages: it thrives on marginal soils,

## WHY SUSTAINABLE CASTOR?

**~1 million**  
hectares of land dedicated  
to castor farming in India\*

**~47%** of the weight  
of castor  
beans is captured as castor oil.  
The rest is generally used as  
fertilizer

yields a substantial crop, and is easy to store and sell due to its long shelf life. While castor oil plants are believed to have originated in Africa, India is now the leading producer. However, there are several challenges and risks associated with conventional castor oil cultivation in India (see box).



### PROJECT PRAGATI

To improve farmers' working conditions, raise awareness of sustainable agriculture and increase yields through more efficient farming methods, BASF has teamed up with Arke-ma, Jayant Agro-Organics Ltd. and the international civil society organization Solidaridad. Together they launched

the Pragati project. The project has created a unified sustainability code, SuCCESS (Sustainable Castor Caring for Environmental and Social Standards), which sets a standard for certified sustainable castor oil.

### INITIAL SITUATION

#### SOCIAL RISKS

- Risk of child labor
- Insufficient labor and living standards
- Financial issues

#### ENVIRONMENTAL RISKS

- Limited knowledge of best farming practices, soil protection and crop rotation > Threat to biodiversity
- Weather changes can cause yield instability

#### HEALTH RISKS

- Physical problems caused by field work
- Toxicity risk of castor seeds (contains ricin)
- Limited access to health care

#### SAFETY RISKS

- Lack of personal protective equipment
- Limited knowledge of safe and appropriate use of fertilizers and crop protection products

\* According to Oil World Annual 2024, Vol1, ISTA Mielke GmbH; FAOSTAT (2023).



# OUR PARTNERS PROJECT PRAGATI



**Solidaridad**

**ARKEMA**



**BASF**  
We create chemistry

## PROJECT PRAGATI



### FOCUSSING ON OBJECTIVES

#### OBJECTIVE 1

Development of sustainability principles for the sourcing of castor seeds that will enable castor producers to offer certified sustainable castor to the global market.

#### OBJECTIVE 2

To improve the productivity and sustainability of the castor supply chain in India, particularly in Gujarat, thereby enhancing the economic self-sufficiency and livelihoods of smallholder farmers.

### FOCUSSING ON



Using good agricultural practices to increase yields and farmer incomes



Using water resources efficiently and maintaining soil fertility



Promoting the adoption of good waste management practices



Enabling better health and safety practices





# THIRD PHASE OF PRAGATI PROJECT



The Pragati program has now entered its third phase (2023–2026), with an expanded focus on supporting and increasing women’s participation in castor farming. This year, more than 1,100 women from 17 project villages enrolled in the program and received extensive training on good agri-

cultural practices to enhance productivity and adopt sustainable, regenerative agriculture in a safe manner. All of them also took part in the program’s digital and financial literacy module, resulting in improved financial and household decision-making.

## SUCCESS CODE

SUCCESS stands for Sustainable Castor Caring Environment & Social Standard. It was developed by multiple partners and stakeholders to ensure the Pragati project’s objective of developing sustainability principles for castor that will guide and enable castor producers to offer certified sustainable castor in the global market. The SuCCESSTM Code adopts 11 principles of accountability by supporting smallholders in the field to ensure monitoring and compliance with 41 mandatory and 35 non-mandatory control points.







# KEY OUTCOMES 2024

About **100,000** metric tons of certified castor seeds have been cumulatively cultivated since the beginning of the project



**5,500** crop protection storage boxes were distributed free of charge



**3** BASF production sites certified according to the SuCCESSTM code in 2024



More than **100** medical camps organized.

During the entire program, more than **8,000** farmers have been certified



In the crop cycle 2023/2024, SuCCESSTM-certified farmers realized



**57** percent higher yields than the figures published by the local government for the region



Over **8,200** personal protective equipment (PPE) kits were distributed free of charge

Over **9,000** hectares were farmed according to the SuCCESSTM code during the crop cycle 2023/2024







## CERTIFIED SITES



**Düsseldorf,**  
Germany  
**Ludwigshafen,**  
Germany

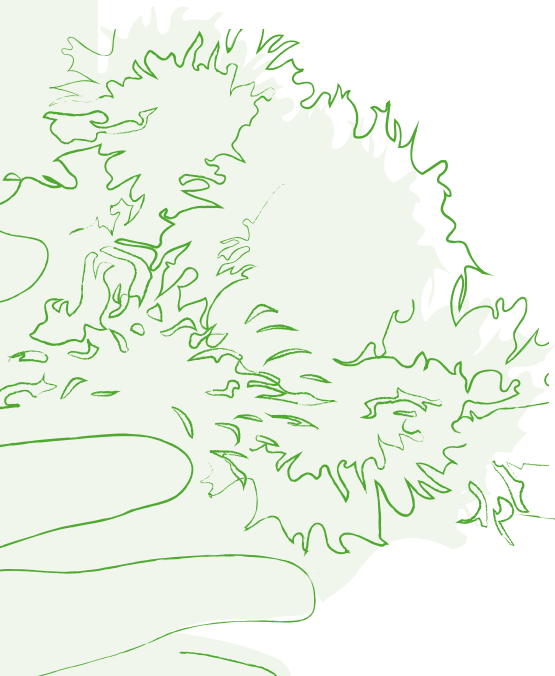


**Guangzhou,**  
China

We are driving the market shift to certified sustainably sourced castor oil. In 2024, we again sourced certified sustainable castor from the Pragati program. Our Düsseldorf site made history in 2021 by becoming the first chemical

company in the world to receive this certification. In addition, a plant at BASF's Ludwigshafen site and the Guangzhou site in China received certification for the first time.





# RESPONSIBLY ACTIVE

## BIOACTIVES FOR A POSITIVE FUTURE







## BIOACTIVES FOR A POSITIVE FUTURE

Botanicals unlock the door to many of our cosmetic active ingredient innovations. The responsible use and protection of natural resources as well as support for communities involved are thus among our most important tasks. To live up to this responsibility while empowering people along the entire botanical value chain, we have set up the

Responsibly Active program for our bioactive ingredients business in 2022. It aims to align all our actions towards more sustainable practices and includes clear targets and action plans for the coming decade. The program is based on three pillars, which include a focus on responsible sourcing of our raw materials.

# TOGETHER WE ARE RESPONSIBLY ACTIVE



## INNOVATING PRODUCTS THAT PROTECT NATURAL RESOURCES

Nature is at the heart of what we do, and caring for natural resources is one of our core responsibilities. That is why we develop innovative products, focusing on renewable resources and organic farming practices, preserving biodiversity and forests, while aiming for transparency and traceability of our botanical sourcing.



## EMPOWERING AND RESPECTING PEOPLE ALONG OUR VALUE CHAIN

Caring for the people we work with is a key value guiding us in everything we do. We are committed to respecting fundamental human rights in our botanical sourcing supply chain while promoting diversity, equity, and inclusion in our collaborative projects. We do this by empowering people and local communities through the provision of safer working conditions, fair incomes, as well as premiums to finance individual or collective projects.



## REDUCING OUR CLIMATE IMPACT AND OPERATIONAL FOOTPRINT

As a positive contribution to climate change, we aim to reduce our carbon footprint in production and downstream transportation and to achieve carbon neutrality through an offset program. In addition to these measures, we are also working rigorously on reducing our environmental footprint concerning water, waste, and energy, as well as leveraging sustainable packaging.

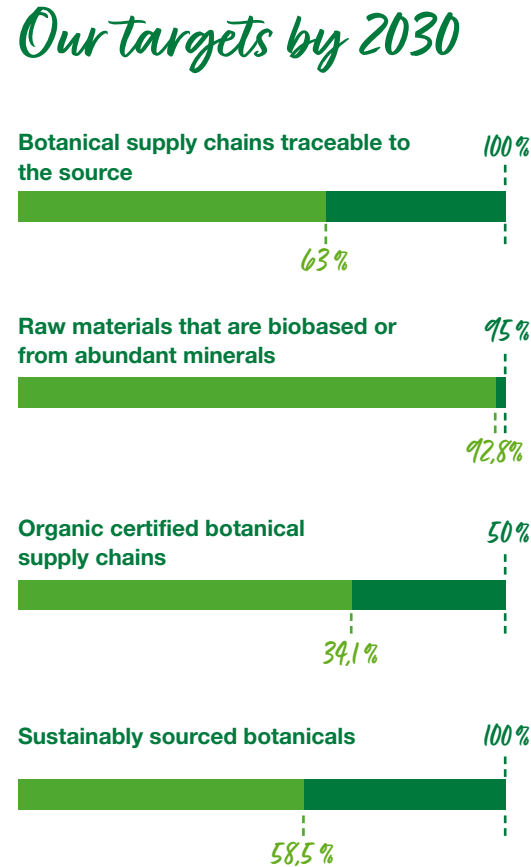




# INNOVATING PRODUCTS THAT PROTECT NATURAL RESOURCES

Because plants are at the core of our bioactives business, we seek to maximize the use of renewable resources while fostering organic farming and sustainable practices. Our dedicated initiatives respect and protect local biodiversity, while avoiding land degradation and deforestation along our supply chains. What's more, we are committed to sourcing all our botanicals sustainably and granting traceability to the source of every single one.

We have set ourselves ambitious targets for 2030 and have made important progress in the second year of our Responsibly Active program:



## TRADITION MEETS INNOVATION WITH LARICYL®

The power of nature is truly remarkable, and we believe in unlocking its potential to develop innovative actives. To preserve nature's delicate balance, we continue to critically reevaluate our sourcing practices. Thanks to the groundbreaking advancements in biotechnologies, we have been able to transition from traditional wild harvest methods to the organic certified cultivation of the *Fomes officinalis* mushroom – the core ingredient of our bioactive Laricyl® – through solid-state fermentation.



This method allows us to control the growth conditions and mimic the natural habitat of the mushroom, ensuring sustainability and minimizing any negative impact on its natural populations. Laricyl is 99.7% from natural origin according to ISO 16128. Controlled and reproducible production conditions ensure consistently highest levels of quality, while the new active ingredient's efficacy is setting new standards – with a clinically proven immediate pore-tightening effect that is 2.8 times better than the previous wild-grown version.

## OUR JOURNEY CONTINUES

2025 will see further product innovations that combine efficacy and ethical sourcing. One of them is Oximony™, a longevity skin care ingredient derived from *Lysimachia christinae*. Through Fair Wild certification and local partnerships, we seek to protect the species, ensure traceability and fairness, and encourage local communities to value its vulnerable ecosystem.

As we continue on this journey towards more sustainable practices, we invite everyone along our bioactives value chain to join us in shaping the future.

Together we are Responsibly Active.





## OUTLOOK

The markets for renewable raw materials are set to grow and change significantly in the coming years, driven by the global shift towards sustainable and clean energy solutions. As the world grapples with the urgent need to reduce carbon emissions and combat climate change, the demand for renewable raw materials is expected to rise sharply. The production of bio-based materials is also on the rise. However, this growth is not without its challenges. Supply chain bottlenecks, geopolitical tensions and the need for sustainable farming practices pose significant risks to the reliability and sustainability of these supply chains.

Despite these challenges, as we look to the future, we expect markets for renewable commodity to play a critical

role in the transition to a sustainable and low-carbon economy. If we look at one of our most important renewable raw materials, the competitive landscape for RSPO-Certified Sustainable Palm Kernel Oil (CSPKO) has experienced significant fluctuations in recent years.

Since 2019, the CSPKO supply chain has shown that demand exceeds supply. New kernel crushers have been certified, indicating efforts to increase production capacity. However, it is crucial to recognize that structural lags in both sourcing behavior and the certification of new operations have hindered a more robust supply response. Consequently, despite these developments, the market continues to face an imbalance between supply and demand.

Current forecasts indicate that the CSPKO market will remain tight until 2030, when the CSPKO consumption for both consumer and industrial goods producer will reach the targets of their published Time-Bound Plan (TBP). This sustained demand exceeds supply capacity and requires a comprehensive reassessment of sourcing strategies\*. In addition, the upcoming European Deforestation Regulation is expected to exacerbate existing supply constraints. The anticipated regulatory framework is likely to result in a shortage of materials suitable for supply to the European market. The introduction of the EUDR, scheduled for December 30, 2024, and postponed at very short notice, already had a significant impact on the structure of supply chains in Q4 2024. The availability of certified volumes at commercially viable conditions, which was particularly necessary to build up stocks to ensure supply capability during the transition period to the new directive, was not always assured. This regulatory shift underscores the need for companies to adapt their sourcing commitments to ensure compliance, while remaining committed to high sustainability standards and ambitions.

Given the high level of uncertainty and volatile market dynamics, we proceed with the following commitment regarding our palm sourcing

**Commitment to Certified Sustainable Sourcing:** We will continue to source 100% certified sustainable palm oil and palm kernel to the extent commercially available and feasible.

**Extending Commitments by 2030:** By the year 2030, we aim to extend our commitments to include key intermediates derived from palm oil and palm kernel oil. This expansion will include fractions and primary oleochemical derivatives, as well as vegetable oil esters to the extent commercially available and feasible.

RSPO will remain a preferred standard. In cases where alternative standards or schemes are considered, they must demonstrate an equivalent rigor focus on the protection of the environment, labor and human rights. Throughout the transition period leading to 2030, we will closely monitor and adapt to changing market conditions while firmly adhering to our responsible sourcing principles.

The current market landscape presents both challenges and opportunities for CSPKO. By adapting our commitments and remaining proactive in our sourcing strategies, we can navigate the complexities of the market while maintaining our dedication to sustainability and responsible practices.

\* RSPO Impact Report 2022, p. 73, available online: <https://rspo.org/wp-content/uploads/RSPO-Impact-Report-2022.pdf> (last accessed February 2, 2025).



## FURTHER MATERIAL / LINKS

### SUSTAINABLE CASTOR ASSOCIATION

[www.castorsuccess.org](http://www.castorsuccess.org)

### SUPPLIER CODE OF CONDUCT

[www.basf.com/suppliers](http://www.basf.com/suppliers)

### RAINFOREST ALLIANCE

[www.rainforest-alliance.org](http://www.rainforest-alliance.org)

### ROUNDTABLE ON SUSTAINABLE PALM OIL

[www.rspo.org](http://www.rspo.org)



## GLOSSARY

### ACOP

Annual Communication on Progress (RSPO)

### CNO

Coconut Oil

### CSR

Corporate Social Responsibility

### CSPO

Certified Sustainable Palm Oil

### CSPKO

Certified Sustainable Palm Kernel Oil

### ESRS

European Sustainability Reporting Standards

### FAO

Food and Agriculture Organization of the United Nations

### FFB

Fresh Fruit Bunches

### FONAP

Forum Nachhaltiges Palmöl (Sustainable Palm Oil Forum)

### FPIC

Free, Prior and Informed Consent

### GAP

Good Agricultural Practices

### HCSA

High Carbon Stock Approach

### HCV

High Conservation Value

### NDPE

No deforestation, no peat development, and no exploitation

### NGO

Non-Governmental Organization

### OECD

Organization for Economic Cooperation and Development

### PO

Palm Oil

### PKO

Palm Kernel Oil

### PKZOP

Polskiej Koalicji ds. Zrównoważonego Oleju Palmowego (Polish Coalition for Sustainable Palm Oil)

### POIG

Palm Oil Innovation Group

### RSPO

Roundtable on Sustainable Palm Oil

### SCA

Sustainable Castor Association

### SUCCESS

Sustainable Castor Caring Environment & Social Standard

### UN

United Nations

### WHO

World Health Organization

### WWF

World Wide Fund for Nature





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