

Policy: Social Engagement APV

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If you have a question related to the content of this document please contact Depraetere, Ben (-), in case of questions related to the document registration (process), please contact Selder, Erik (Quality Manager QHSE).

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1. PURPOSE & SCOPE

This policy is called ‘Global Social Engagement Policy of BASF’s Vegetable Seeds Business’ and targets all Corporate Social Responsibility activities. This policy encompasses the philosophy of BASF’s Vegetable Seeds Business (APV) towards Social Engagement (previously called Corporate Social Responsibility or CSR) and lays down the guidelines and mechanism for undertaking socially relevant projects and programs for sustainable development in the communities where we operate. We aim to contribute to local as well as global public welfare and to support the company’s sustainability commitment, in line with our motivation “to make healthy eating enjoyable and sustainable for people, our partners and our planet”. This Social Engagement Policy shall be integrated into our activities in line with our business strategy by balancing economic, environmental and social needs and contribute in finding suitable solutions for a more sustainable future. These Social Engagement activities are integrally part of the Sustainability Strategy Pillar whereby we strive to “be recognized as a sustainable company through our values, processes, partnerships and solutions”.

The Social Engagement activities of BASF’s Vegetable Seeds Business also contribute to the Sustainable Development Goals of the United Nations, to which BASF has committed itself (<https://www.basf.com/global/en/who-we-are/sustainability/management-goals-and-dialog/networks/global-compact/goals.html>), and they enhance the corporate brand reputation. As a result, the Social Engagement activities strengthen the credibility of the company. This policy outlines the guidelines for Social Engagement projects, governs the process of proposal submission, the approval process and the monitoring process. This policy also ensures to operate compliant with existing policies and requirements.



Fig.1 BASF has committed to the United Nations Sustainable Development Goals

This Social Engagement policy covers every not-for-profit social engagement of BASF’s Vegetable Seeds Business (APV) and is in line with the BASF Social Engagement Policy.

Social Engagement is an important pillar of BASF’s Corporate Social Responsibility. Social Engagement activities are voluntary and go beyond what is required by local law of any particular country, with the main aim to create shared value for the society, the environment and for BASF alike. The Social Engagement activities of APV should focus around the countries and sites where we are active in order to create more visibility and create linkage with the local communities where we operate. Furthermore, our Social Engagement activities also focus on smallholder farmers and landless wage workers. The aim of our Social Engagement activities is to reflect our commitment to sustainability.

Furthermore, sponsoring activities targeting brand and marketing purposes are not covered by this policy. Those activities have to be approved by M&S and aligned with the APV Global Communications department.

2. DEFINITIONS

Not applicable

3. POLICY

3.1. Key Principles

3.1.1. *Social engagement activities exclusively support engagement*

All Social Engagement activities contribute to local as well as global public welfare and aim to achieve positive social impact. They are not primarily linked to serve a BASF business purpose however support the company's long-term success as part of BASF's sustainability commitment.

All Social Engagement activities must comply with the BASF Code of Conduct. External partners engaged within BASF's Social Engagement must share common values, strive for common goals and be committed to principles equivalent to the BASF Code of Conduct. Furthermore, all Social Engagement activities must comply with national and local law as well as tax regulations.

The company will not contribute any amount directly or indirectly to any political party and its affiliates or religious organization and its affiliates as part of its Social Engagement activities. Furthermore, social engagement may not be used to establish or maintain contacts with or unduly influence elected representatives, government officials, customers, suppliers, functionaries in associations, labor unions or public administration in their decision-making or to offer or grant an improper advantage. Social Engagement activities with political parties and organizations close to them are not allowed under this Policy. Any deviations and exceptions require the approval of the Board of Executive Directors of BASF SE.

3.1.2. *Social engagement activities foster sustainable impact for society*

As part of its Social Engagement activities, BASF helps to solve societal challenges and intends to contribute to improving the quality of life in different layers of the society. APV gives priority, but does not limit itself, to invest in the communities around its sites and production locations worldwide and these are often not the areas where our customers are located. Social Engagement activities are oriented towards public benefit and focus on the interests of the relevant parties.

Our Social Engagement activities will create a visible positive impact towards our company reputation, however this will be achieved indirectly by contributing to our license to operate, to our image or by maintaining stable relationships with the communities around our sites. The positive impact on our brand reputation is not sought in first place but is a welcome secondary consequence.

Besides intensifying the dialogue with neighboring communities and other relevant stakeholders, APV strives to capture the full potential of its social engagement through involving its employees. The involvement of the employees can be organized on country level and can for example exist out of annual leave donation, contribution of hours towards certain initiatives, a joint team effort towards local community initiatives such as 'tree planting' or 'clean the beach' campaigns, waste reduction initiatives at the office, etc. These activities can be organized together with the Country Leadership Team and do not require global approval.

In order to achieve sustainable impact for society and the environment, APV's social engagement and Social Engagement activities can be implemented through various approaches outlined and can consist out of, but not limited to, the following social instruments and/or a combination of them:

- BASF's own Social Engagement projects
- Collaboration with external partners
- Donations to existing projects and organizations
- Social sponsoring
- In-kind contributions
- Seed Donations
- Corporate volunteering
- Community dialog
- Social business models
- Social and Economic Impact investment
- Development partnerships
- Multi-stakeholder-initiatives

In the case external partners are used for the (partial) implementation of the Social Engagement project, a proper vetting of the external partner is mandatory and background information about the external partner is to be disclosed at the time of project application.

3.1.3. *Focused approach in social engagement activities*

The Social Engagement activities of APV will be centered around Focus Areas and around the below selection of the Sustainable Development Goals of the United Nations based on their relevance for APV.



Fig.2 The above are the selected United Nations Sustainable Development Goals relevant for APV

The Social Engagement activities of APV will be centered around the below selection of the Sustainable Development Goals of the United Nations:

- Goal 2: Zero Hunger
- Goal 8: Decent work and economic growth
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 17: Partnerships for the goals

In addition to the above selection of the focus UN Sustainable Development Goals, Social Engagement activities of APV may also contribute to one or multiple other UN Sustainable Development Goals.

The thematic Focus Areas where APV's Social Engagement activities primarily focus are the following:

- Supporting development and introduction of Sustainable Production Methods in agriculture by promoting soil and water conservation and Integrated Crop Management (ICM)
- Improving livelihood of Smallholder Farmers through training, introduction of improved varieties and innovative practices and by promoting sustainable production methods leading to reduced cost of cultivation, diversifying crop pattern and improving the net returns of Smallholder Farmers.
- Creating Project and Model Villages whereby we foster Integrated Rural Development in the areas where we operate by promoting WASH (Water Access, Sanitation and Hygiene), Health, Education, Skills Development for unemployed and uneducated Youth, Improving Livelihood and Environmental Protection in Urban and Rural areas.
- Promoting Gender Equality and Diversity and Empowering Women across all its Social Engagement programs
- Supporting Education and Sports Initiatives among children and youth in the local communities around our sites.

3.1.4. *Guidelines for social engagement portfolio development*

- In order to achieve maximum impact and to maintain a certain level of control, APV will only support Social Engagement projects in countries where we have a footprint with own employees in the country. This in order to achieve local involvement and have local support available to monitor and control our Social Engagement activities. However, this does not include donations or support in the event of disaster.
- Where possible projects that have a direct link with our strategy to “making healthy eating enjoyable and sustainable for our people, our partners and our planet” should be prioritized.
- The roll out of projects should be in line with our company values PEP (Pioneering, Empowering and Performing).

- We do not just donate money and should give more than just cash: our engagement for Social Engagement is built on engaging employees and building company competencies
- Ensure transparency and ensure auditability where cash contributions are the preferred option
- Put a clear entry and exit strategy to any Social Engagement project; define tangible targets; evaluate progress and analyze the impact.
- Projects should be developed and monitored in a comprehensive way and have defined outcome and not 'just donating or 'just starting new projects'.
- Clearly differentiate between voluntary Social Engagement projects (social engagement) and commercial sponsorship (tangible return service) or commercial sales practices.
- Social Engagement efforts need to be coordinated and executed in a uniform manner and lessons learned and best practices require to be shared within the relevant APV and other relevant BASF communities.
- Give preference to projects that reflect the brand essence of BASF's vegetable seeds business: innovative spirit, entrepreneurship, solution-orientation, sustainable impact, professionalism.
- Ensure that Social Engagement projects will not endanger the image or reputation of the company.

3.1.5. Guidelines for social engagement budget and social engagement budget allocation

BASF's Vegetable Seeds Business has committed to annually spend 0.06%⁽¹⁾ of its annual turnover on Social Engagement activities and has set the goal to reach this target as of 2023. The global annual Social Engagement budget for APV will be calculated based on the global annual turnover of APV however the contribution to Social Engagement activities financed by Nunhems India PL as per the local legal requirements is not included in this budget. The spending percentage for Social Engagement may be revised in the future upon approval by the VSLT. In case of a disaster, pandemic or any major event, the Social Engagement Core Team may apply for additional funding to the VSLT. In addition to Social Engagement activities financed by APV, additional financing for certain Social Engagement projects implemented by APV may also be secured through BASF SE.

Social Engagement activities and projects shall be submitted and approved within the available annual budget. The Social Engagement budget will be part of the P&L of Nunhems Netherlands BV. Social Engagement projects implemented by sister entities on behalf of Nunhems Netherlands BV will charge the project costs to the latter. If for certain justified reasons the allocated budget for a certain project cannot be (fully) spent within the budget year, a provision needs to be made by accruing the foreseen project costs against a commitment or obligation documented in an agreement signed with the implementing party of the Social Engagement program. Social Engagement budget that was not spent from the current budget year can however not be carried forward to the next budget year since there cannot be a spill over.

Applicable For Nunhems India PL only: Nunhems India PL has a legal requirement of annually spending, every fiscal year, at least 2% of the average profit before tax made during the three immediately preceding fiscal years, on its Social Engagement projects as prescribed in the applicable provisions of the Companies Act and this comes on top of the global commitment by APV. The Social Engagement activities implemented by Nunhems India PL covered by the legally mandatory spending on Social Engagement activities, as described above, will be part of the local P&L of Nunhems India PL and will not be charged to Nunhems Netherlands BV.

(1) The spending percentage for determining the Social Engagement budget for APV has been set at 0.06% and is in line with the percentage applied by BASF SE. This percentage may be revised in the future.

Since the resources available for Social Engagement activities are limited and since APV wants to achieve a long-lasting impact in the communities around its key sites and production locations, approx. 80 % of the available annual Social Engagement budget will be allocated to projects with long lasting impact in, but not limited to, four focus countries and regions.

These focus countries/regions have been selected as follows:

- Europe: The Netherlands where the APV's Headquarters are located.
- APAC: India where the majority of hand-pollinated seed production activities are located with high potential impact around the home farms and seed production areas.
- MEA: Ethiopia where the TYL High-Tech Seed Production Facility and hand-pollinated seed production activities are located with high potential impact around the home farm and seed production areas.
- USA: Engaging in charitable activities in American society is prominent.

In addition to the focus countries, any country can submit proposals in the following way:

- Country Representatives can forward proposals submitted by employees in their country or the Country Leadership Team may develop and submit proposals for Social Engagement activities in their country to the Social Engagement Core Team before the annual deadline being 31st of October.
- The annual budget for these projects will be 20% of the Global Social Engagement budget of APV.
- Exceptionally, project proposals can also be submitted ad hoc in case an unforeseen but urgent cause justifies so (e.g. a disaster hit the target area, an unforeseen opportunity presents itself, pandemic ...). In this case the Social Engagement Core Team will need to seek approval by the VSLT for adjusting the already approved budget.
- In addition to the above, and in line with stimulating the social engagement of its employees, APV also encourages employees to submit local initiatives that can be funded through donating vacation/overtime hours for community engagement around their site or for supporting projects submitted by other entities (e.g. a typical example here is the yearly occasion whereby employees of Nunhems Netherlands BV can donate untaken annual leave or overtime hours to certain projects) local rules apply on HR/Legal/Taxation aspects. This funding contributed by APV employees will be on top of the targeted Social Engagement budget allocated by APV.

3.1.6. Approval process for social engagement projects

To ensure both the implementation of the social engagement strategy as well as transparency, Social Engagement activities must follow a defined approval process. This approval process is listed out below:

- Every year a call for submission of proposals for Social Engagement projects will be launched by the APV Social Engagement Core Team no later than 1st of September. This call for proposals will be coordinated from a global level.
- Project applications shall be submitted through the form "APPENDIX 2 – STANDARD TEMPLATE FOR SOCIAL ENGAGEMENT PROJECT PROPOSAL APPLICATION AND APPROVAL"
- Countries/Employees can submit proposals via their Country Representative to the APV Social Engagement Core Team and apply for funding no later than 31st of October.
- The APV Social Engagement Core Team will review if the applications are in line with the APV Strategy and meet the requirements of this APV Global Social Engagement Policy, assess and shortlist the eligible projects for funding and present its proposal to the VSLT for approval by 30th of November.
- The VSLT will review the proposal made by the APV Social Engagement Core Team and approve the Social Engagement budgets before 31st of December.

- The budget will be released by January 15th.
- In line with the BASF Corporate Citizenship Policy, all APV's Social Engagement projects or programs with a budget per single project/program amounting > €25,000 have to be highlighted in the budget of APV.
- Adjustments of the approved Social Engagement budget for single projects > €25,000 have to be approved by the VSLT.
- Single Social Engagement projects with budgets > €250,000 as well as adjustment or increases for listed single Social Engagement projects > €250,000 have to be approved by the Board of Executive Directors of BASF SE. The Corporate Sustainability Board is to be informed about such projects in a timely manner.



Fig. 3 Schematic overview of the SOCIAL ENGAGEMENT Approval Process Flow

3.1.7. **Communication about social engagement activities**

All Social Engagement activities are conducted with the purpose and objectives as described above. Proper use of communications tools supports these objectives. BASF's communications principles apply to all communications linked to Social Engagement. Transparency in communications is crucial to maintain BASF's reputation. This includes ensuring that business interests are always indicated and clearly identified as such. All communications about Social Engagement must be clearly linked to BASF's corporate purpose and social commitment.

Furthermore, a communication strategy and annual plan should be developed upon alignment between Global Communications and APV Social Engagement Core Team in order to share success stories on Social Engagement activities internally with colleagues and/or externally with customers and other stakeholders. Success stories on v activities of global relevance for BASF or AP will be shared with all relevant internal and external stakeholder groups.

3.1.8. **Global record keeping and reporting of all social engagement activities within APV**

APV will keep record of all implemented and ongoing Social Engagement activities around the globe. The Social Engagement Focal Person will request and gather information of all Social Engagement activities implemented by all APV entities and compile a database where all Social Engagement projects are registered in order to produce an annual report. This database will contain the following information:

- Social Engagement project title
- Thematic Focus Area
- Sustainable Development Goal
- Country where Social Engagement project takes place
- Implementing APV entity
- Contact Person for project implementation at Implementing APV entity
- Implementation by APV or external partner
- Budget (in EUR)
- Financing source (local BU, global Social Engagement BU, Employee contribution in cash, Employee contribution in time, external BU)
- Status (planned, ongoing, completed and year)
- Start and completion of project

Countries Representatives will be requested to report status of all Social Engagement projects in their country via a standard form.

3.2. Roles and responsibilities within social engagement activities

3.2.1. *Social engagement focal person*

The Social Engagement Focal Person or Sustainability Manager will be the designated contact person for all Social Engagement related topics for APV. Furthermore, the Social Engagement Focal Person will represent APV within the BASF Social Engagement organization. The Social Engagement Focal Person will request and gather information of all Social Engagement activities implemented by all APV entities and compile a database where all Social Engagement projects are registered in order to produce an annual report. The APV Social Engagement Focal Person is responsible for submitting data for the BASF annual report to the BASF AP unit and for providing information on new and ongoing Social Engagement projects. In addition, the Social Engagement Focal Person will lead the Social Engagement Core Team and ensures that quarterly and annual reports are compiled and shared with the Cluster Head Community and VSLT.

3.2.2. *Social engagement project coordinator*

A dedicated Social Engagement Project Coordinator should be assigned for every Social Engagement project that will be rolled out. This responsible person must be appointed to follow up the project in the country where the project is being rolled out prior to the start of the project. For the duration of the project, the Social Engagement Coordinator will follow up the progress of the project, steer the implementation, monitor the budget and ensure that the project is implemented in line with the approved proposal. Furthermore, the Social Engagement Project Coordinator will report the progress of the project to the Social Engagement Core Team and monitor that the budget is spend in line with this policy.

3.2.3. *Social engagement core team (social engagement CT)*

The APV Social Engagement Core Team (Social Engagement CT) consists of representatives of global and regional leadership and Social Engagement experts. The Social Engagement Core Team identifies suitable Social Engagement projects and coordinates the Social Engagement activities at APV. The Social Engagement Core Team oversees monitoring and giving advice on Social Engagement.

The Vegetable Seeds Social Engagement Core Team is compiled of:

- Social Engagement Focal Person/ Sustainability Manager
- Country Cluster Head APAC
- Country Cluster Head MEA
- Country Cluster Head NAFTA
- Head of Country Organization (combined with role Country Cluster Head Benelux/Country Representative NL)
- Global Head of Communications or delegate
- Head of Legal or delegate

When relevant, local Social Engagement Project Coordinators will be invited to join the Social Engagement Core Team meeting to provide an update on the Social Engagement projects in their respective country. The Social Engagement Core Team will have a monthly meeting and is chaired by the Social Engagement Focal Person.

Furthermore, the Social Engagement Core Team will compile a quarterly progress report that monitors the progress of the implementation of the different Social Engagement projects and their budget status. This quarterly progress report will be shared with the Cluster Head Community and the VSLT. In addition, the Social Engagement Core Team is also responsible for preparing the annual report of the conducted Social Engagement activities. Furthermore, the Social Engagement Core Team compiles the annual budget and supports the auditing of its activities.

The Social Engagement Core Team is also responsible for the further development of all Social Engagement-related strategic content and can make recommendations to the VSLT to adjust or update the Social Engagement policy. The final decision-making authority is assigned to the VSLT.

3.3. Monitoring and evaluation

The APV Social Engagement Core Team (Social Engagement CT) consists of representatives of global and regional leadership and Social Engagement experts. The Social Engagement Core Team identifies suitable Social Engagement projects and coordinates the Social Engagement activities at APV. The Social Engagement Core Team oversees monitoring and giving advice on Social Engagement.

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3.4. Exceptions

There may be valid and unique reasons which require exceptions to this requirement or single elements of this Policy. All exceptions have to be approved by the VSLT.

3.5. Disclaimer

Nothing in this document should be interpreted or applied in a manner that violates applicable national law. If national law prohibits adherence to this document (thus resulting in a conflict of law), national law will apply. In such conflict of law cases, BASF should seek ways to implement alternative measures that reflect the purpose of this document while respecting national law and practice. This also applies, if mandatory union agreements prohibit adherence to this document. This document does not create any contractual rights (express or implied) and/or any individual rights. Any employment related decision remains with the local disciplinary manager. The Company reserves the right at any time to change, modify, or delete this document in its sole discretion without any further notice.

4. APPENDIX 1 MONITORING AND EVALUATION (M&E) SYSTEM

a. Structure & methods

- Determining of area of responsibility and cooperation system of measures.
- Executing of baseline analysis to measure the progress in a later stage.
- To assess the social value generated by CC projects, the evaluation process is aligned with the IOOI methodology. The IOOI methodology for project evaluation is divided in (I) Input – (II) Output – (III) Outcome – (IV) Impact. The social value created by Social Engagement projects is defined by (III) outcome and (IV) impact. Following the IOOI logic, the project impact has to be described by key objectives and related sub-goals with underlying quantifiable indicators.
- The definition of key objectives is crucial for developing impact hypotheses and adequate measures to reach the desired impact.
- Development of a reputational risk scenario and a continuation or exit strategy.

b. Utilization, steering, acceptance & comprehension

- Identifying and assessing of key stakeholders respectively partners.
- Considering resources for M&E in the project budget.

- Determining of project timeline and duration.
- Developing of exit strategy for the project.

c. Project documentation & internal reporting

- Conducting of a yearly progress report based on project-specific KPIs.
- Working transparent is necessary to ensure internal learning and scaling up of projects.

d. M&E capacity development, cost effectiveness and feasibility

- Using of the information systems as well as secondary data of partnering institutions or other stakeholders for measuring the impact.
- Considering and even applying of existing monitoring systems of partnering organizations.
- Calculating of cost-benefit-ratio.

5. VERSION LOG

Version	Date Released	Reason
1	Sep 7, 2021	New policy on Social Engagement for APV