



40 South Fullerton Avenue  
Montclair, NJ 07042  
973-509-8800  
Fax: 973-509-8808  
E-Mail: [info@tricri.org](mailto:info@tricri.org)  
[www.tricri.org](http://www.tricri.org)

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Kurt Bock  
Chairman & CEO  
BASF SE  
Carl-Bosch-Str  
3867056 Ludwigshafen  
Germany

Wayne Smith  
Chairman & CEO  
BASF Corporation  
100 Park Ave  
Florham Park, NJ 07932

Dear Dr. Bock and Mr. Smith:

On behalf of the members of the Tri-State Coalition for Responsible Investment, a coalition of 40 Catholic institutional investors representing over \$2.5 billion dollars in assets under management, we write today to begin a dialogue about BASF's efforts to manage human rights risks in your supply chain and eliminate the use of forced and child labor. This outreach is part of a broader initiative called *Shifting Gears*, being led by our investor members to engage with our portfolio companies in the automotive sector, including Original Equipment Manufacturers (OEMs) and Tier 1 suppliers.

As shareholders and potential shareholders in BASF (the Company), we are concerned about the serious human rights risks associated with raw materials that are inputs into automobile manufacturing and want certainty that the Company has effective policies and practices in place to reduce these human rights risks. In addition, we are concerned about workplace health and safety conditions in the global manufacturing operations of your suppliers. To that end, we seek greater transparency about your efforts to effectively identify, assess, and mitigate human rights risks in your operations and among your suppliers. The UN Guiding Principles on Business and Human Rights state that companies have a responsibility to respect human rights in their own operations as well as in the business relationships where a company has leverage. The

UN Sustainable Development Goals commit all actors, including the private sector, to take steps to eliminate poverty and achieve sustained, inclusive and sustainable economic growth, with decent work for all.

As responsible investors, we hold the companies in our investment portfolios accountable for human rights performance not only because it is the right thing to do, but also because human rights risks are financially material, and present reputational and legal risks. We appreciate that BASF has adopted a Position on Human Rights and Supplier Code that prohibit forced and child labor, and also discloses on human rights due diligence, auditing mechanisms, and incorporation of human rights into procurement decisions. However, as expectations around supply chain transparency and human rights due diligence increase among various stakeholders and investors, companies that do not have effective policies and systems in place to eliminate negative human rights impacts will face serious reputational risks if they are associated with a supplier that is using child labor or forced labor in their operations.

In particular, there is evidence demonstrating that mica used in metallic paints may be produced using child labor in India and cobalt used in lithium-ion batteries to power electric vehicles may be sourced from mines in the DRC that use child labor. We are seeking assurance that BASF has measures in place to state with certainty that the raw materials and inputs, such as mica and cobalt, in their products are not being produced using forced or child labor. Specifically, we would like to have a conversation to understand how BASF implements the commitments in your Position on Human Rights and Supplier Code, the due diligence processes to assess the risks of child labor, forced labor, and poor working conditions in your raw material and component supply chain, and the steps you have taken to effectively mitigate these risks.

We recognize that your supply chains are vast and complex, that visibility to the raw material level in the automotive sector can be challenging, and that some of these issues may be connected to your compliance with Dodd-Frank Section 1502 Conflict Minerals Reporting. However, the Company's responsibilities extend beyond conflict minerals. Further, OEMs and suppliers have a responsibility to ensure that human rights risks are managed effectively and expectations are cascaded throughout the supply chain.

Our investor coalition hopes to initiate an ongoing dialogue with you to better understand your management of these issues, and in particular, we would like to discuss the following points with respect to the Company's own operations and supply chain:

- The Company's process to assess risk and conduct human rights due diligence in raw materials sourcing;

- The Company's strategy for increasing transparency in raw material sourcing, recruitment practices at owned-facilities and among suppliers, and disclosure around raw material source countries;
- The Company's framework for integrating human rights due diligence and social compliance into procurement decision-making with suppliers;
- The Company's procedures for monitoring compliance of suppliers and sub-Tier suppliers with the expectations in your Position on Human Rights and Supplier Code;
- The company's approach to engaging workers, including through education, training, and integrating worker voice into decision making;
- The extent to which BASF participates in industry or cross-industry stakeholder groups (e.g. Responsible Business Alliance or Auto Industry Action Group) or commodity-specific initiatives and how the Company uses the tools developed by those initiatives;
- The company's efforts to provide training, technical support, and financial incentives to suppliers to address human rights due diligence and ensure shared responsibility for heightened expectations; and
- The Company's systems for providing access to remedy and an appropriate grievance mechanism for employees and stakeholders related to human rights risks at the commodity and manufacturing level.

We would like to schedule a meeting with the appropriate representatives at the Company, including executives in the human rights, supply chain management, and purchasing functions, to discuss the points highlighted in this letter. We hope to hear from you by February 23, 2018. Please contact Mary Beth Gallagher at [mbgallagher@tricri.org](mailto:mbgallagher@tricri.org) or call 973-509-8800 to schedule a follow up meeting.

On behalf of the undersigned investors, we thank you for your attention to these important concerns and hope that this engagement will help further your initiatives to ensure that the automotive effectively promotes the dignity of all workers.

Sincerely,

Mary Beth Gallagher  
Executive Director, Tri-State Coalition for Responsible Investment

cc: Tim Balensiefer, Investor Relations Manager, Sustainability  
Ingo Rose, Director, Investor Relations North America  
Dirk Voeste, VP, Sustainability Strategy

Anne Steffens  
Director of Finance  
Carmelite Friars

Sister Patricia Joan Ells, CND  
Province Bursar  
Congregation of Notre Dame

George C. Schmitz, CSC  
Congregation of Holy Cross, Moreau  
Province

Father Michael Hoolahan, CP  
Treasurer  
Congregation of the Passion

Sister Evelyn Eckhardt, DW  
Treasurer  
Daughters of Wisdom

Father Bill Marquis, OP  
Treasurer  
Dominican Friars

Holly Borzacchiello  
Director of Finance  
Dominican Sisters of Hope

Linda Hincken  
Chief Financial Officer  
Dominican Sisters of Amityville

Sister Eileen Gannon, OP  
Leadership  
Dominican Sisters of Sparkill

Sister Yen Nguyen, FMM  
Provincial Treasurer  
Franciscan Missionaries of Mary

Sister Gloria, Oehl, OSF  
Congregational Delegate for  
Responsible Investment  
Franciscan Sisters of Allegany

Sister Margaret Sikora, SA  
JPIC Director  
Franciscan Sisters of the Atonement

Sister Licia Mazzia, FSP  
Franciscan Sisters of the Poor

Rev. Joseph LaMar  
Assistant CFO  
Maryknoll Fathers & Brothers

Cathy Rowan  
Corporate Responsibility Coordinator  
Maryknoll Sisters

Valerie Heinonen, O.S.U.  
Director, Shareholder Advocacy  
Mercy Investment Services, Inc

Br. John Koelle, OFM Cap  
Chair of the Socially Responsible  
Investment Committee  
Province of St. Mary of the Capuchin  
Order

Sister Monica Walsh, RSHM  
Provincial Councilor  
Religious of the Sacred Heart of Mary

Mary Beth Oria  
Director of Finance and Business  
Operations  
RENEW International

John Hutchinson  
Chief Financial Officer  
Roman Catholic Diocese of Albany

Sister Ethel Howley, SSND  
Social Responsibility Resource Person  
School Sisters of Notre Dame  
Cooperative Investment Fund

Joanne M. Pyle  
Director of Cash & Investments  
SCL Health Systems

Sister Mary Burns, SC  
Corporate Responsibility Representative  
Sisters of Charity of Halifax

Sister Jean Anne Panisko, SC  
Community Treasurer  
Sisters of Charity of Leavenworth

Sister Margaret O'Brien, SC  
Treasurer  
Sisters of Charity of New York

Sister Mary Friel, SND  
Sisters of Notre Dame de Namur

Sister Veronica Mendez, RCD  
President  
Sisters of Our Lady of Christian Doctrine

Sister Ellenrita Purcaro, OP  
Councilor, Leadership  
Sisters of St. Dominic of Blauvelt, New York

Sister Patricia Daly, OP  
Corporate Responsibility Representative  
Sisters of St. Dominic of Caldwell, NJ

Sister Patricia Mahoney, CSJ  
Councillor, Leadership  
Sisters of St. Joseph of Brentwood

Sister Eileen McCann, CSJ  
Province Leadership Team  
Sisters of St. Joseph of Carondelet,  
Albany Province

Sister Lois Parente, CSJP  
Director of Finance  
Sisters of St. Joseph of Peace

Toni Palamar  
Province Business Administrator  
Sisters of the Good Shepherd

Sister Barbara King, PBVM  
Councilor, Leadership  
Sisters of the Presentation of the Blessed  
Virgin Mary

Sister Veronica Mendez, RCD  
President  
Sisters of Our Lady of Christian Doctrine

Sister Kathleen Donnelly, SU  
Regional Treasurer  
Society of St. Ursula, American Region

Sister Maureen Welsh, SHCJ  
Justice Representative  
Society of the Holy Child Jesus  
(American Province)

Father Dennis Donovan, SDB  
Treasurer  
St. Philip the Apostle Foundation  
Salesian Society  
Salesian Missions

Sister Alice Marie Giordano O.S.U.  
Justice, Peace and Integrity of Creation  
(JPIC) Coordinator  
Ursulines of the Roman Union - Eastern  
Province

Sister Valerie Heinonen, O.S.U.  
Ursuline Sisters of Tildonk, U.S. Province

Nick Napolitano  
Provincial Assistant for Social Ministries  
USA Northeast Province of the Society of  
Jesus