

BASF'S VALUE-TO-SOCIETY

MONETIZED SUSTAINABILITY ASSESSMENT OF BUSINESS IMPACTS ON SOCIETY

At BASF, we follow our purpose “We create chemistry for a sustainable future” – we aim to improve our positive contribution to society and to minimize our negative effects. With Value-to-Society we assess how our business activities effect the world around us. It is a cornerstone of our efforts to measure, value, and demonstrate our economic, social, and environmental impacts to society.

By Dirk Voeste and Christian Heller



DIRK VOESTE is Vice President of BASF's sustainability strategy since 2012. He is responsible for the implementation into the business activities and decision-making processes. He is also heading the eco-efficiency analysis and sustainability evaluations.

Today, the world is facing accelerating trends such as climate change or the unequal distribution of wealth. Stakeholders expect answers as part of the current business models. The business community drives sustainability based on assessments of businesses' impact along the value chain: with the new approach of Impact Measurement and Valuation (IMV) companies strive to measure their “real” value contribution and to take benefits and costs to society into account in their decision making and strategic planning processes.

IMV goes beyond the traditional input-output schemes of financial accounting. It is:

- assessing economic, social and environmental impacts of business activities such as climate change due to CO₂ emissions or increased purchasing power due to wage payments.
- Valuing in monetary terms how these positive and negative impacts change the lives and well-being of people.

Recently a rapidly growing number and variety of best practice and standardization initiatives have been established, e.g. the Natural and Social & Human Capital Protocols, the ISO standards 14007 and 14008, the Impact Valuation Roundtable or sector-specific processes such as the Chemical Sector Guidance. These developments demonstrate that IMV will make its way into business – the only question is when and how it will impact companies' management processes. Concepts like Kering's Environmental Profit & Loss or LafargeHolcim's Integrated Profit & Loss suggest that that IMV is going to be integrated in corporate accounting and reporting schemes.



CHRISTIAN HELLER is leading BASF's Value-to-Society program since its beginning in 2014. He is responsible for the calculation model and applications within the company. He is representing BASF in related initiatives such as WBCSD, Embankment or Impact Valuation Roundtable.

At BASF, we aim to increase our positive contribution to society and minimize the negative effects of our business activities. “Value-to-Society”, our approach towards IMV, is a cornerstone of our efforts to identify, quantify, value, and demonstrate our total contribution to a sustainable future along the value chain.

With the ambition to establish a pragmatic, scalable, transferable and auditable model “Value-to-Society” was developed and validated in collaboration with external experts. This monetary assessment of our economic, social and environmental business activities can be applied at various levels such as company, business units, projects and investments, sites or products. At the corporate level, we are using primary data to calculate the positive and negative impacts of our own production and secondary data for our supply chains and customer industries. The product use phase and end-of-life is assessed on a case-by-case basis.

The results show that our positive contribution (net income, amortization, taxes, wages, human capital) considerably exceeds the negative impact (environment, health and safety). This applies since our first assessment in 2013 and is reported since last year on an annual basis. The chart shows the results of the reporting period 2016. “Value-to-Society” enables us to directly compare financial and non-financial effects, to identify upcoming business risks and opportunities along the value chain and to better understand interdependencies between the different indicators. The calculations allow us to make our “real” value contribution in society transparent, to internally monitor our progress and to identify material topics. The “Value-to-Society” perspective provides complementary information in decision-making processes.

The learnings and insights improve our integrated thinking and contribute to our long-term business success. We position our approach and expertise in the current discussions about the monetary valuation of economic, social and environmental business impacts.

