BASF response to CDSB public consultation

Introductory questions

1. Do you agree that a single global framework for climate change-related disclosure in mainstream reports is necessary and/or possible, notwithstanding the background of different national developments? If not, please explain why.
It is necessary to ensure comparability of reported dated and also possible. However great care has to be taken in order to balance the efforts associated with the reporting with the results. Climate protection is a significant global challenge, but other sustainability issues, like e.g. water and labor standards, should not be forgotten. Thus the effort for reporting on GHG emissions should be kept at a level that leaves companies resources to report on other sustainability issues as well.

2. Do you agree with CDSB's overall approach of aligning its Guiding Principles to existing relevant principles and objectives of financial reporting so as to elicit information of value primarily for investors? If not, please explain why and share with us your ideas for a new/different approach to climate change-related reporting.

3. At the current stage in its development, the CDSB Reporting Framework, including the Reporting Templates, are designed for general use by all companies within the stated scope of applicability. Do you agree that further work is required to develop the Reporting Framework, including the Reporting Templates, to take account of particular sector-specific issues related to climate change? If so, please provide your recommendations, referring to particular sector specific climate change-related initiatives if possible.

Characterizing decision-useful information

4. Do you agree with the principles and characteristics of decision-useful information that CDSB recommends for making judgments on the information to be disclosed under CDSB's Reporting Framework? If not, what additional principles or characteristics are required, or which ones suggested in the Framework would you change?

5. Do you agree that the CDSB characteristics of decision-useful information are practical for companies to apply and sufficient to limit the amount of information disclosed to the most relevant content for users? If not, what additional guidance or information do you suggest CDSB include?

Content

6. Do you agree with the content that CDSB recommends for potential inclusion in disclosures under the CDSB Reporting Framework? If not, what additional areas would you recommend or which types of information in the Reporting Templates would you change?

- We recommend that reporting should be done based on regions, sites and operating divisions. Any more detailed reporting (plant basis) does not give any additional information relevant for investors and society, but might reveal plant-specific know-how and other information relevant for competitors like capacity utilization. It is therefore disapproved.
- We agree that emissions of joint ventures should be reported according to their share.
- We support the idea that companies clearly state, which emissions they report on. For a company like BASF scope 1 and scope 2 emissions are large and emissions from logistics and employee travel are comparatively low. Thus, it makes sense to focus on reporting and decreasing scope 1 and 2 emissions rather than spend ressources on reporting of small emissions. For a logistics company, however, naturally reporting on the emissions stemming from logistisc is absolutely necessary. We therefore suggest that reporting on emissions stemming from the core business is

obligatory and that it is clearly defined what is considered as core business. Reporting on any other emissions should be voluntarily only.

7. Does one or more of the jurisdictions in which you operate already have requirements for any of the content in the Reporting Templates to be disclosed according to local rules? If yes, are the requirements consistent with the proposed CDSB Framework including the Reporting Templates? If they are not consistent, what are the major areas of conflict or difference?

8. CDSB's proposed Reporting Framework requires companies to define and explain the performance measures and indicators they use to track and demonstrate their progress in responding to climate change. CDSB considers performance measures and indicators to be crucial elements of decision-useful information as they aid understanding and comparability over time, provided that consistent metrics are used year on year. Do you foresee particular challenges in setting and explaining performance measures and indicators, and using those metric on a consistent basis over time? If so, please explain those challenges.
As long as there are no legally binding requirements on GHG reporting, it will not be possible to report retrospectively on emissions including a newly acquired company. If the required emission data has not been collected in the past by this company, it is not possible to include it in the reporting for past years.
Our proposal for reporting after acquisitions is as follows:

Year of Acquisition:	Reporting of core company
Next Year:	Reporting of core company + separate reporting of acquired company according to the same standards
The year after next:	Reporting of core company and acquired company in one report

This way it is always possible to compare two years in a row with each other.

Practicalities

9. How do you anticipate information for compliance with the CDSB Reporting Framework will be collected in your organization? If possible, please state whether in-house or proprietary software is likely to be used, which departments would be involved in the collection and review of information, and how long the annual information collection process is likely to take.
BASF has a group within the competence centre environment, health and safety which is responsible for collecting global emission data from our production sites and is using an established in-house software tool for this. Reporting on e.g. scope 3 emissions does require a lot of detailed work in separate departments since these emissions are small in comparison to BASF´s scope 1 and 2 emissions and therefore monitoring and reporting on these emissions is not part of a regular process and no software tool exists.

10. What practical issues do you envisage when disclosing under the CDSB Reporting Framework? For example, constraints on the length of the mainstream report or particular requirements applicable in the jurisdiction in which you operate. What could CDSB do to limit any practical difficulties associated with reporting under the CDSB Reporting Framework?
Ensure that the reporting principles of the CDSB Reporting Framework are identical with legal requirements, where they exist (e.g. EU ETS).

11. Is there anything else of relevance you would like to raise?
The example for reporting that is given does not give a clear picture on the reporting requirements. It especially lacks information on what kind of documents should be provided to an auditor. It is not explained which data is obtained by measurement and which data is based on the use of estimates. It would be much more helpful if an exemplary monitoring report would be provided (similar to the exemplary reports given for the EU ETS).