

Annual Report 2017-2018

BASF India Limited

We create chemistry
for a sustainable future





“To ensure seamless delivery of services and smooth transition for customers, we were ready for GST implementation from day one.”

Message from the Chairman & Managing Director

Dear Shareholders,

World growth strengthened in 2017 to 3.8%, with a rebound in global trade led by advanced economies. India too witnessed growth as government initiatives to revive the economy increased Gross Domestic Product (GDP) in the last two quarters. While most sectors gradually recovered from GST and demonetization, climbing crude oil prices and falling value of Rupee are concern areas.

In my last year's message, I highlighted how your Company is moving towards profitable and sustainable growth. You would be pleased to know that we expanded our business with sales increasing by 10% on a comparable basis (adjusted for GST and Excise) to Rs. 55,834 million. Despite an erratic monsoon, our agricultural business saw strong double-digit growth driven by volume from new product launches. The Chemicals business too, saw strong double-digit growth mainly driven by price and supported by volume. Considering the improved operational and financial performance, your Company has recommended a dividend payment of Rs. 3/- per equity share of Rs. 10/- each (i.e. 30%) for the financial year 2017-18.

To ensure seamless delivery of services and smooth transition for customers, we were ready for GST implementation from day one. New products for rice from the Crop Protection business were successfully established. Our focus on farmer safety under the 'Suraksha Hamesha' initiative continued with the introduction of an improved version of personal protection equipment 'Sanrakshan kits'. The Fuel and Lubricants business team launched Glysantin®, a high-performance engine coolant on Amazon India's website to enhance digital outreach.

Operational efficiency and resource optimization led to increased volumes across various manufacturing sites. Production is being ramped up for Cellasto®, used in the suspension system of automobiles, at our Dahej plant. We prioritized various energy conservation measures and introduced solar power at the Mangalore facility, reducing carbon emissions by ~13,400 tons per annum. Additionally, this year, we brought R&D activities in Mumbai under one roof.

We completed the divestiture of the Leather Chemicals business to Stahl Group. Such strategic portfolio management helped us to move further on the path to profitable growth.

Our CSR initiatives continued to focus on Water, Sanitation and Hygiene (WASH) and education. We worked closely with the local communities around our sites in Dahej, Mangalore and Ankleshwar, conducting behavioural change programs, providing piped water and installing a digital classroom.

Recognitions from customers and stakeholders continued. The EHS team won the Indian Chemical Council Certificate of Merit for Best Compliant Company for Distribution Code under Responsible Care. The Coatings team won multiple awards from key customers including Best Supplier Award from Honda Motorcycles and Scooters, while our Performance Materials team won the Best Business Partner award from Haier India. Your Company was also named as the most compliant company amongst S&P's BSE 500 companies in CimplifyFive's 3rd Secretarial Audit report.

Your Company believes that committed and qualified teams are the key to contribute towards a sustainable future. To this effect, we introduced several initiatives through the Diversity & Inclusion team constituted in 2016. 'Working Mother and AVTAR' recognized your Company as one of the '100 Best Companies for Women in India' for the second time in a row. We boosted employee morale through initiatives like Fit@BASF, Fun@BASF and The Knowledge Series.

As we look into the future, we would continue our focus on maintaining profitable and sustainable growth. We see that customers and stakeholders are aligning with companies making advancements towards reducing impact on environment and climate change. This trend will make sustainable chemistry a reality, placing your Company at a strategic advantage. Our sharp focus on customer centricity and digitization will help us continue leading the industry. On behalf of the Board of Directors, I thank you all for your valuable trust and continued support.

With best wishes,

Raman Ramachandran, Ph.D.

Friday, 10 th August, 2018 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai – 400 021.		Page
Agenda		
1. Presentation of Financial Statements and the Directors' / Auditors' Report	Board of Directors	2
2. Declaration of Dividend	Directors' Report	4
3. Re-appointment of Director	Management Discussion and Analysis Report	42
4-7. Special Business	Report on Corporate Governance	48
The Notice of the Meeting is enclosed.	Auditors' Report	63
BASF India Limited	Balance Sheet	70
Registered Office: The Capital, 'A' Wing, 1204-C 12 th Floor, Plot No. C-70, 'G'-Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051. Telephone : +91 6278 5600 Website : www.basf.com/in E-mail ID : investor-grievance-india@basf.com	Statement of Profit & Loss	71
Corporate Identification Number: L33112MH1943FLC003972	Cash Flow Statement	72
Works:	Statement of Changes in Equity	74
<u>Maharashtra (Navi Mumbai)</u>	Notes to the Financial Statements for the year ended March 31, 2018	75
(1) Plot Nos. 12 & 13, TTC Industrial Area, MIDC, Thane-Belapur Road, Turbhe, Navi Mumbai – 400 705.		
(2) Plot Nos. C-68, TTC Industrial Area, MIDC, Thane-Belapur Road, Turbhe, Navi Mumbai – 400 613.		
<u>Karnataka (Mangalore)</u>		
Bala/Thokur Village, Surathkal-Bajpe Road, Mangalore Taluka, Dakshina Kannada District, Karnataka – 575 030.		
<u>Gujarat</u>		
(1) Ankleshwar <u>Unit I:</u> Plot Nos. 6214/6216, GIDC Phase IV Ankleshwar – 393 002, Gujarat. <u>Unit II:</u> Plot No. 8001, GIDC Phase VI Ankleshwar – 393 002, Gujarat.		
(2) Dahej 4B, Dahej Industrial Estate, Village Dahej, Taluka Vagra, District Bharuch, Gujarat – 392 130.		
<u>Andhra Pradesh (Nellore)</u>		
Plot 1 & 1A, APIIC Industrial Park, Menakur Village, Block B, Naidupet Mandal, SPSR Nellore District, Andhra Pradesh.		
<u>Himachal Pradesh (Nalagarh)</u>		
Khasra No. 87/1, Village: Beer Plassis, Nalagarh, District: Solan, Himachal Pradesh.		
<u>West Bengal (Kharagpur)</u>		
Plot No. F-7, Vidyasagar Industrial Park, Kharagpur, Paschim Medinipur, West Bengal.		
Branch Offices: Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Pune.		
Registrar & Share Transfer Agent: TSR Darashaw Limited Unit : BASF India Limited, 6-10, H. M. Patrawala Industrial Estate, Near Famous Studio, 20, Dr. E. Moses Road, Mahalaxmi (West), Mumbai – 400 011. Tel. No. : +91 22 66568484 Extn: 411/412/413 Fax No. : +91 22 66568494 Email : csg-unit@tsrdarashaw.com		



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Board of Directors



Raman Ramachandran, Ph.D.
Chairman & Managing Director



Mr. R. A. Shah



Mr. R. R. Nair



Mr. Pradip P. Shah



Mr. Arun Bewoor



Dr. Andrea Frenzel



Mr. Raimar Jahn



Mr. Narendranath J. Baliga
Chief Financial Officer &
Alternate Director



Dr. Lakshmi Nadkarni
Alternate Director



Mr. Rajesh Naik
Whole-time Director

Management Committee

Dr. Raman Ramachandran

Mr. Narendranath J. Baliga

Dr. Rajan Venkatesh (upto 31st March, 2018)

Mr. Bejoy Chandran (w.e.f. 1st June, 2018)

Mr. Sylvain Huguenard (upto 31st December, 2017)

Mr. Brieux Boisdequin (w.e.f. 1st June, 2018)

Mr. Pradeep M. Chandan

Dr. Lakshmi Nadkarni

Mr. Rajesh Naik

Ms. Sunita Sule

Mr. Srinivas Pranesh (upto 31st May, 2018)

Mr. Jayant Bahekar (w.e.f. 1st June, 2018)

Statutory Auditors

Messrs Price Waterhouse Chartered Accountants LLP
252, Veer Savarkar Marg,
Shivaji Park, Dadar (West),
Mumbai – 400 028, India.

Cost Auditors

Messrs R. Nanabhoy & Co.
Cost Accountants
Jer Mansion,
70 August Kranti Marg,
Mumbai – 400 036.

Advocates & Solicitors

- (i) Messrs Crawford Bayley & Co.
State Bank Building, 4th Floor,
N. G. N. Vaidya Marg, Fort,
Mumbai – 400 023.
- (ii) Messrs Dhruve Liladhar & Co.,
61 Free Press House,
215 Free Press Journal Marg,
Nariman Point, Mumbai – 400 021.

Bankers

- (i) Citibank N.A.
- (ii) Deutsche Bank AG
- (iii) The Hongkong and Shanghai Banking Corporation Limited
- (iv) BNP Paribas
- (v) The Bank of Tokyo and Mitsubishi UFJ Limited
- (vi) Credit Agricole CIB

Internal Auditors

Messrs Mahajan & Aibara
Chartered Accountants
1, Chawla House,
62, Wodehouse Road,
Colaba, Mumbai – 400 005.

Secretarial Auditors

Messrs HS Associates
206, 2nd Floor,
Tantia Jogani Industrial Estate,
J. R. Boricha Marg, Opp. Lodha Excelus,
Lower Parel (E), Mumbai – 400 011.

Mr. Pradeep M. Chandan
Director – Legal, General Counsel (South Asia)
& Company Secretary



Your Company participates in various events to build stakeholder engagement. Seen in the picture is Dr. Raman Ramachandran, Chairman & Managing Director at the inaugural session of Chemtech “Specialty Chemicals World Expo 2017”.



Your Company was one of the key sponsors for the TEDx event in Mumbai in February 2018. This was a day-long conference with over 5000+ participants, featuring 20+ eminent speakers from different walks of life, sharing innovative & sustainable ideas. Seen in the picture are Mr. Narendranath J. Baliga, Chief Financial Officer and Mr. Biju Mathew – Head, Supply Chain and Information Services with key products showcasing innovation at BASF product booth.



Seen in the above image are the Board Members and Key Managerial Personnel of your Company along with Dr. Ramkumar Dhruva – President, AS Division, Asia Pacific (Fourth from Left).

Directors' Report

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2018.

Financial Results

(Rs. in million)

Description	Year ended 31.3.2018	Year ended 31.3.2017
Revenue from operations (Net of GST/Excise)	55,834.0	50,782.2
Profit /(Loss) before tax and exceptional items	1,024.6	(294.8)
Exceptional items	1,585.7	170.1
Profit /(Loss) before tax after exceptional items	2,610.3	(124.7)
Tax	145.3	16.6
Profit /(Loss) after tax	2,465.0	(141.3)
Dividend	129.9	43.3
Corporate Tax on Dividend	26.7	8.8

Note: As per Indian Accounting Standard 18 on Revenue and Schedule III of the Companies Act, 2013, Revenue from Operations for the period July 1, 2017 to March 31, 2018 does not include Goods and Services Tax (GST), however Revenue from Operations till the period ended June 30, 2017 and other comparative periods includes Excise Duty.

Performance

Revenue from operations (net of GST/Excise) at Rs. 55,834 million, represents an increase of 10% over the previous year. Your Company reported a profit after tax (after exceptional items) of Rs. 2,465 million for the year ended 31st March, 2018 as compared to loss after tax (after exceptional items) of Rs. 141.3 million in the previous year due to good performance in all business segments.

The Agricultural Solutions business of your Company registered good growth in sales and profits during the year as compared to the previous year mainly due to increased sales realised from successful launch of new products as well as diversification into new crops like rice & corn.

The Chemicals segment of your Company comprising of the Intermediates, Petrochemicals & Monomers businesses registered substantial increase in sales & profits during the year mainly due to better realisation coupled with strong domestic demand driven by increase in prices of Monomers and Amine related products.

The Functional Materials & Solutions segment of your Company which comprises of the Performance Materials, Coatings, Construction Chemicals and Process Catalysts Technologies business registered modest growth in sales during the year under review as compared to the previous year. However, it registered good growth in profits on account of better margins in performance materials business, driven by good performance in transportation segment.

The Performance Products segment, which includes Performance Chemicals, Dispersions & Pigments, Care Chemicals, Nutrition & Health products and Paper Chemicals businesses registered higher sales & margins during the year under review as compared to the previous year owing to increase in volumes from Dahej Plant & improved profitability of the Dispersions business.

Export sales stood at Rs. 6,847.5 million during the year under review.

Acquisition of Solvay's global polyamide business

In September 2017, BASF SE, Germany signed an agreement to acquire Solvay's integrated polyamide business globally. The acquisition would complement BASF's engineering plastics portfolio and expand BASF's position as a solution provider for the transportation, construction, industrial applications and consumer industries.

Acquisition of significant parts of Bayer's global seeds & non-selective herbicide businesses and additional crop protection businesses & assets

In October 2017, BASF SE, Germany, signed an agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses. Further, in April 2018, BASF SE signed an agreement to acquire, inter-alia, Bayer's entire vegetable seeds business, operating under the global trademark Nunhems®, Research & Development platform for hybrid wheat and complete state-of-the-art digital farming platform xarvio™, which it has offered to divest in the context of its planned acquisition of Monsanto.

Both the transactions complement BASF's crop protection business and biotechnology activities, adding new capabilities and opportunities for profitable growth and innovation.

BASF and Solenis join forces by combining paper wet-end and water chemicals businesses globally

In May 2018, BASF SE, Germany signed, an agreement with Solenis, USA to globally combine BASF's Paper wet-end & water chemicals business with Solenis. Consequently, your Company's paper wet-end and water chemicals business would be transferred to Solenis in India, subject to requisite approvals. Presently, the paper wet-end and water chemicals business of the Company forms part of the Performance Products segment of the Company.

Expansion of manufacturing capacity of Cellasto® and cessation of Thermoplastic Polyurethane (TPU) manufacturing at Dahej Plant, Gujarat

Your Company is in the process of expanding its manufacturing capacity for Cellasto®, which is used in the suspension system of automobiles to reduce noise, vibration and harshness. The expansion at the Dahej Plant will serve India's growing automotive market for both two wheeler and four wheeler vehicles.

Further, in line with the changing customer needs in the South Asian region, your Company has discontinued TPU manufacturing at the Dahej Plant. However, your Company will continue supplying South Asian markets from its global network, which would ensure seamless supply to customers.

Update on divestment of Leather Chemicals business to Stahl

Pursuant to the global sale of BASF's Leather Chemicals business to Stahl Group, the Leather Chemicals business of your Company has been transferred to Stahl India Private Limited with effect from 30th September, 2017. Your Company has received an aggregate sum of Rs. 1,976.3 million (including GST) from Stahl India Private Limited as the consideration for the sale of the business.

Dividend

In view of the improvement in the operational and financial performance of the Company, your Directors have recommended a dividend of Rs. 3/- per equity share of Rs. 10/- each (i.e. 30%) for the financial year ended 31st March, 2018, subject to the approval of the members at the 74th Annual General Meeting of the Company to be held on 10th August, 2018. The dividend will absorb Rs. 129.9 million and the dividend distribution tax to be borne by the Company would amount to Rs. 26.7 million.

Further, as per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the top 500 listed entities based on market capitalization are required to formulate a Dividend Distribution policy. Accordingly, your Company has formulated its Dividend Distribution Policy, which is available on the Company's website at <http://on.basf.com/dividend-policy>

Change of Registered Office of the Company

The Registered Office of your Company has been shifted from Plot No. 37, Chandivali Farm Road, Chandivali, Andheri (East), Mumbai-400072 to The Capital, 'A' Wing, 1204-C, 12th Floor, Plot No. C-70, 'G' – Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051 with effect from 1st December, 2017.

Corporate Social Responsibility

As required under the provisions of the Companies Act, 2013, the Board of Directors of your Company constituted a Corporate Social Responsibility (CSR) Committee on 30th April, 2013.

Mr. R. R. Nair, Mr. Arun Bewoor, Independent Directors and Mr. Rajesh Naik, Whole-time Director are presently the members of the CSR Committee.

Mr. Pradeep M. Chandan, Director – Legal, General Counsel (South Asia) & Company Secretary is the Secretary of the CSR Committee.

The CSR Committee has formulated the CSR Policy and has recommended the activities to be undertaken by the Company as specified under Schedule VII of the Companies Act, 2013.

During the year under review, due to impact on profitability, your Company was not required to spend any amount on CSR activities. However, in order to maintain project sustainability, the Board of Directors of your Company decided to spend an amount of Rs. 1.5 million towards CSR activities.

Your Company undertook CSR activities mainly in the areas of Water, Sanitation and Hygiene (WASH) & Education including conduct of various behavioural change programs, details of which are provided in **Annexure I** of this Report.

Finance & Accounts

Your Company continued to optimise borrowings during the year by focusing on cash flows and working capital management. Your Company availed of alternative funding options such as Commercial Papers, Trade Financing etc., to ensure efficiency in its borrowing costs.

Your Company follows a prudent financing policy and aims to maintain optimum financial gearing at all times. Your Company's debt equity ratio was 0.6 as at 31st March, 2018.

Capital Expenditure

Capital expenditure incurred during the year aggregated to Rs. 679.4 million.

Credit Rating

During the year, CRISIL revised its outlook on the Non-Convertible Debenture programme of your Company to 'Stable' from 'Negative' while reaffirming the rating at 'CRISIL AAA'. The ratings of the Fixed Deposits and Commercial Paper were also reaffirmed at 'FAAA/Stable' and 'CRISIL A1+', respectively.

Further, India Ratings and Research Private Limited awarded a credit rating of "IND A1+" for the Commercial Paper programme of Rs. 750 crore.

Instruments with these ratings are considered to have the highest degree of safety regarding timely servicing of financial obligations & carry lowest credit risk.

Fixed Deposits

During the year, your Company has not invited, accepted or renewed any fixed deposits from the public and accordingly, there is no principal or interest outstanding in respect thereof.

Management Discussion and Analysis Report

In terms of SEBI Listing Regulations, the Management Discussion and Analysis Report is appended to this Report.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance and has complied with the Corporate Governance requirements as per SEBI Listing Regulations.

A separate report on Corporate Governance as stipulated under SEBI Listing Regulations along with a Certificate of Compliance from the Statutory Auditors, forms part of this Annual Report.

Business Responsibility Report

Regulation 34(2) of the SEBI Listing Regulations, inter alia, provides that the Annual Report of the top 500 listed entities based on market capitalization, should include a Business Responsibility Report ("BRR").

Your Company, being among the top 500 listed entities, has included BRR, as part of this Report as **Annexure II**, describing the initiatives taken by the Company from an environmental, social and governance perspective.

The BRR for the financial year 2017-18 has also been hosted on the Company's website, which can be accessed at www.basf.com/in

Vigil Mechanism

Your Company has established a Whistle Blower Policy for employees, Directors and third parties to report their genuine concerns, details of which have been given in the Corporate Governance Report annexed to this Report. This policy is available on the Company's website and can be accessed at: <http://on.basf.com/whistle-blower>

Directors' Responsibility Statement

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2018 and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with sub-rule 3 of Rule 8 of the Companies (Accounts) Rules, 2014, forms part of this Report as **Annexure III**.

Directors

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Rajesh Naik retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Dr. Raman Ramachandran was re-appointed as Chairman & Managing Director of the Company for a term of one year from 1st April, 2018 to 31st March, 2019, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

Mr. Raimar Jahn was appointed as Director of your Company in place of Dr. Rainer Diercks with effect from 1st April, 2017 in terms of Article 134 of the Articles of Association and the provisions of Section 161 of the Companies Act, 2013. In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, the appointment of Mr. Raimar Jahn would be considered at the ensuing Annual General Meeting as Dr. Rainer Diercks was liable to retire by rotation at the ensuing Annual General Meeting, had he continued as the Director of the Company.

As required under the SEBI Listing Regulations, the details of the Directors seeking appointment/re-appointment at the ensuing Annual General Meeting are provided on page no. 56 in the Corporate Governance Report, forming part of this Annual Report.

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations, the Company has devised a policy containing criteria for evaluating the performance of the Executive, Non-Executive and Independent Directors, Key Managerial Personnel, Board and its Committees based on the recommendation of the Nomination & Remuneration Committee. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. The manner in which the evaluation has been carried out is explained on page no. 53 in the Corporate Governance Report, forming part of this Annual Report.

Policy on Directors' appointment and remuneration

The policy on Directors' appointment and remuneration including the criteria for determining the qualifications, positive attributes, independence of a Director and other matters provided under Section 178(3) of the Companies Act, 2013, forms part of the Nomination & Remuneration policy of the Company. This policy is available on the Company's website and can be accessed at: <http://on.basf.com/nom-rem-committee>

Auditors

M/s. Price Waterhouse Chartered Accountants LLP (Registration No. 012754N/N500016), Mumbai, have been appointed as Statutory Auditors of the Company at the Annual General Meeting held on 28th September, 2017. They have confirmed to the Company that they are not disqualified from continuing to act as Statutory Auditors for the financial year 2018-2019.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. H S Associates, Practising Company Secretaries, Mumbai (C.P. 1483), to conduct the Secretarial Audit of the Company for the financial year 2017-18 and to furnish the report to the Board. The Secretarial Audit Report dated 4th May, 2018 forms part of this Report as **Annexure IV**.

Auditors' Report & Secretarial Audit Report

There are no qualifications/reservations/emphasis of matter placed by the Statutory Auditor and the Secretarial Auditor in their respective Reports for the financial year ended 31st March, 2018.

Cost Audit

The Board of Directors, in pursuance of Section 148 of the Companies Act, 2013, have appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai, having Registration No. 000010, for conducting the audit of the cost accounting records maintained by the Company for the financial year 2018-19. They have confirmed that their appointment is within the limits of Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified from acting as Cost Auditors.

Composition of the Audit Committee

As required by Section 177(8) read with Section 134(3) of the Companies Act, 2013 and the Rules framed thereunder, the composition of the Audit Committee is in line with the provisions of the Companies Act, 2013 and SEBI Listing Regulations, details of which are provided on page nos. 51 and 52 of the Corporate Governance Report, forming part of this Annual Report.

Related Party Transactions

All related party transactions that were entered into by the Company during the financial year were on arms' length basis. There are no materially significant related party transactions entered into by the Company with its Promoters, Directors, Key Managerial Personnel or other Related Parties, which may have a potential conflict with the interest of the Company at large.

All related party transactions are placed before the Audit Committee for its approval. Prior omnibus approval of the Audit Committee is obtained for the transactions, which are repetitive in nature. A statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. The policy on Related Party Transactions, as approved by the Board, is available on the Company's website and can be accessed at: <http://on.basf.com/related-party>