



We create chemistry

ESG Bonus Malus - Bidding process

Is your case study linked to an 'ugly truth' or a 'key success factor'?

It's a key success factor which covers the lack of influence of ESG topics on procurement processes.

What does the case study help tackle?

The ESG BonusMalus is focused on the challenge of integrating the ESG (Environmental, Social, and Governance) concept into the decision-making process of tender awards. By introducing the ESG BonusMalus tool, suppliers' ESG performance can be evaluated and compared on a unified scale. The results are obtained through evaluations conducted by third parties. Suppliers can receive a bonus ranging from 0.1% to 5.5%, depending on their score in the assessment. If the result is under 25 points, a malus can be applied.

What was the outcome and how did you measure it?

We have just begun our journey towards incorporating sustainability aspects into our sourcing decisions, but the results have been satisfactory. We started in 2022 with a handful of suppliers in the European market. Now we have nearly 700 suppliers certified with third parties, to whom we are applying sustainability bonuses in the bidding process. The ESG BM is a feature in the procurement process that allows the inclusion of sustainability as one of the decision criteria, enabling the comparison of suppliers' ESG performance on a single scale of results.

Who was involved (departments/roles)? How did you justify it to the business?

Procurement, Sustainability and business units have established synergies to incorporate sustainability into procurement and contracting, managing ESG audit results, and adding value through the ESG BonusMalus for end consumers. We received great interest and are building alliances with business stakeholders helping them to incorporate ESG criteria in their business decisions.

What were the key success factors?

- Incorporate ESG criteria into procurement processes.
- Provide a commercial bonus as motivation for suppliers to obtain certifications.
- Standardize the evaluation process for comparable results on a single scale.
- Implement a scalable model that can be applied by any company or sector outside the chemical industry.
- Share best practices to promote sustainability across industries.

What are your watch-outs for others attempting this?

When considering this, it is important to note that a strong communication campaign, including email marketing and information sessions, is needed to effectively explain the methodology and benefits of adopting the third-party certification. This will help increase awareness of sustainability and the ability to compare ESG criteria.

How would you recommend those with less resources attempt this?

- Assign a project leader
- Plan the phases of the project
- Use existing data available on third parties or other assessment companies
- Prioritize communication, both externally and internally, to establish it as a standard process

Who were the main drivers (the people that were boots on the ground), and the main leadership sponsor?

The main driver at a global level was the Indirect Purchasing Hub in Spain. Within the team, there were highly motivated individuals who were passionate about sustainability. The pilot project was successful and has been scaled to other countries in Europe.



Celia Egea
Category Buyer
Consumables
Region Europe
BASF SE



Marianna Polini
Regional Category Buyer
Technical Services Iberia
BASF Española S.L.



Herminio Moreno
Head of Procurement
Hubs EMEA
BASF Española S.L.

