

# BASF Report 2022

Integrated corporate report on  
economic, environmental and  
social performance



**■ BASF**  
We create chemistry

# BASF Group

## 2022 at a Glance

### Sales

**€87.3 billion**  
(2021: €78.6 billion)

### EBIT before special items

**€6.9 billion**  
(2021: €7.8 billion)

### ROCE

**10.0%**  
(2021: 13.7%)

### Sales by segment and Other

#### Chemicals

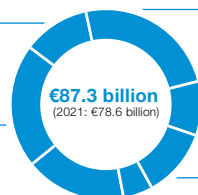
**€14.9 billion**  
(2021: €13.6 billion)

#### Materials

**€18.4 billion**  
(2021: €15.2 billion)

#### Industrial Solutions

**€10.0 billion**  
(2021: €8.9 billion)



#### Surface Technologies

**€21.3 billion**  
(2021: €22.7 billion)

#### Nutrition & Care

**€8.1 billion**  
(2021: €6.4 billion)

#### Agricultural Solutions

**€10.3 billion**  
(2021: €8.2 billion)

#### Other

**€4.4 billion**  
(2021: €3.7 billion)

### Sales and employees by region (by location of company)

#### EUROPE



**35.8**  
Sales (billion €)

**67,958**  
Employees

#### NORTH AMERICA



**24.3**  
Sales (billion €)

**16,036**  
Employees

#### ASIA PACIFIC



**21.3**  
Sales (billion €)

**20,452**  
Employees

#### SOUTH AMERICA, AFRICA, MIDDLE EAST

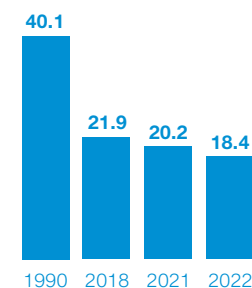


**5.9**  
Sales (billion €)

**7,035**  
Employees

### Greenhouse gas emissions

(million metric tons of CO<sub>2</sub> equivalents)



### Capital expenditures (capex)

**€4.1 billion**  
(2021: €3.4 billion)

### Research and development expenses

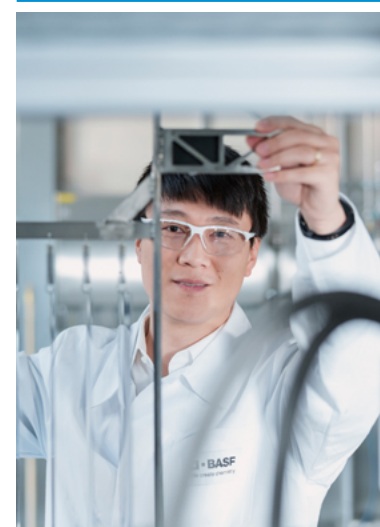
**€2.3 billion**  
(2021: €2.2 billion)

### Employees at year-end

**111,481**  
(2021: 111,047)

### Personnel expenses

**€11.4 billion**  
(2021: €11.1 billion)



### We are driving the transformation

Innovations based on chemistry can help to overcome many of the challenges of our time – from climate change and resource scarcity to feeding the world's growing population. Products, solutions and technologies from BASF enable and accelerate the transformation to a sustainable future in all these areas.

We as a company are also undergoing major changes: the shift toward climate neutrality and circular business models. Our corporate purpose is our mission and motivation: We create chemistry for a sustainable future.

[For more information on our strategy and our strategic action areas, see page 28 onward](#)

# Welcome to BASF

**Our integrated corporate report combines financial and sustainability reporting. It shows how we are developing as a company and how we create value for our stakeholders.**

**On the cover and this page:**

BASF aims to reduce its greenhouse gas emissions by 25% by 2030 compared with 2018 and achieve climate neutrality by 2050. A key lever on this path is the gradual conversion to energy from renewable sources. As part of our make & buy approach, we are building and expanding our own renewable power assets worldwide, and we are securing renewable energy sources by entering into long-term supply agreements. The photos on the cover and this page show Rebecca Kuo. Together with Javier Cuellar (left) and Christopher Dorow (right), she helped to expand BASF's green power supply in North America in 2022 – for example, with power purchase agreements for solar energy totaling almost 300 megawatts. One of the recipients will be BASF's Verbund site in Freeport, Texas, where we will be able to meet the site's entire expected demand for purchased power with renewable sources.

 For more information on energy supply, see page 137 and [basf.com/climate\\_protection](https://www.basf.com/climate_protection)



# Contents

**Contents**

To Our Shareholders  
 Management's Report  
 Corporate Governance  
 Consolidated Financial Statements  
 Overviews

About This Report \_\_\_\_\_ 5

**1 | To Our Shareholders** \_\_\_\_\_ **7**

Letter from the Chairman of the Board of Executive Directors \_\_\_\_\_ 8  
 The Board of Executive Directors of BASF SE \_\_\_\_\_ 11  
 BASF on the Capital Market \_\_\_\_\_ 12

**2 | Management's Report** \_\_\_\_\_ **16**

Overview \_\_\_\_\_ 17  
 The BASF Group \_\_\_\_\_ 20  
 Our Strategy \_\_\_\_\_ 26  
 The BASF Group's Business Year \_\_\_\_\_ 52  
 Sustainability Along the Value Chain \_\_\_\_\_ 100  
 Forecast \_\_\_\_\_ 151

**3 | Corporate Governance** \_\_\_\_\_ **168**

Corporate Governance Report \_\_\_\_\_ 169  
 Compliance \_\_\_\_\_ 179  
 Management and Supervisory Boards \_\_\_\_\_ 182  
 Report of the Supervisory Board \_\_\_\_\_ 186  
 Declaration of Conformity Pursuant to Section 161 AktG \_\_\_\_\_ 193  
 Declaration of Corporate Governance \_\_\_\_\_ 194

**4 | Consolidated Financial Statements** \_\_\_\_\_ **195**

Statement by the Board of Executive Directors \_\_\_\_\_ 196  
 Independent Auditor's Report \_\_\_\_\_ 197  
 Statement of Income \_\_\_\_\_ 203  
 Statement of Income and Expense Recognized in Equity \_\_\_\_\_ 204  
 Balance Sheet \_\_\_\_\_ 205  
 Statement of Cash Flows \_\_\_\_\_ 207  
 Statement of Changes in Equity \_\_\_\_\_ 208  
 Notes \_\_\_\_\_ 209

**5 | Overviews** \_\_\_\_\_ **291**

Ten-Year Summary \_\_\_\_\_ 292  
 Selected Key Figures Excluding Precious Metals \_\_\_\_\_ 294  
 Glossary and Trademarks \_\_\_\_\_ 295

## About This Report

GRI 2, 305

### At a glance

- Integrated BASF Report serves as U.N. Global Compact progress report
- Financial reporting in accordance with IFRS, HGB, GAS and ESMA
- Nonfinancial reporting in accordance with HGB and additional sustainability reporting in accordance with GRI
- External audit by KPMG AG Wirtschaftsprüfungsgesellschaft
- Editorial deadline: February 20, 2023

### Integrated reporting

This integrated report documents BASF's economic, environmental and social performance in 2022. We show how we as a company create value for our stakeholders and how sustainability contributes to BASF's long-term success as an integral part of our corporate purpose and our strategy.

### Content and structure

The BASF Report, which is published each year in English and German, combines the major financial and sustainability-related information necessary to comprehensively evaluate the company's performance. We select the report's topics based on the following principles: materiality, completeness, sustainability context, balance and stakeholder inclusion. In addition to this report, we publish further information online. The relevant links can be found at the end of each chapter.

The information on the financial position and performance of the BASF Group comply with the requirements of the International Financial Reporting Standards (IFRS) and, where applicable, the German Commercial Code (HGB), German Accounting Standards (GAS) and the guidelines on alternative performance measures from the European Securities and Markets Authority (ESMA). Internal control mechanisms ensure the reliability of the information presented in this report. BASF's Board of Executive Directors confirmed the effectiveness of the internal control measures and compliance with the regulations for financial reporting.

We have reported on our sustainability performance in accordance with Global Reporting Initiative (GRI) guidelines and standards since 2003. The information contained in this report also serves as a progress report on BASF's implementation of the 10 principles of the U.N. Global Compact. The GRI and Global Compact Index can be found in the online report. It provides an overview of all relevant information to fulfill the GRI indicators and shows how we contribute to the United Nations' Sustainable Development Goals (SDGs) and the principles of the U.N. Global Compact. KPMG AG Wirtschaftsprüfungsgesellschaft has performed an independent limited assurance of the disclosures in the GRI Index. The results of this assurance are also available in the online report in the form of an assurance statement. We also publish online additional information on sustainability in accordance with the industry-specific requirements of the Sustainability Accounting Standards Board (SASB).

BASF's Report addresses elements of the framework of the former International Integrated Reporting Council (IIRC). This framework and the SASB's industry-specific requirements are now being incorporated into the work of the International Sustainability Standards Board (ISSB) to develop internationally recognized standards for sustainability reporting. The frameworks help us illustrate the impacts of our actions and explain how we create value for the environment, society and business (see page 24). Our involvement in networks and in national and international standard-setting bodies

gives us the opportunity to share our experiences of integrated reporting with stakeholders and at the same time, give and receive inspiration for enhancing our reporting.

Material topics along the value chain form the focal points of our reporting and define the limits of this report. In identifying, prioritizing and validating material topics, we are guided by the principle of double materiality, taking into consideration financial materiality and impact materiality. General information on the materiality analysis can be found under "Our Sustainability Concept" from page 46 onward. The material topics are explained in this report in the "Material Topics in Focus" sections.

 For more information on the results of operations, net assets and financial position, see page 56 onward

For more information on our sustainability reporting, see from page 45 and 100 onward

 The 2022 BASF Online Report can be found at [basf.com/report](https://basf.com/report)

The GRI and Global Compact Index can be found at [basf.com/en/gri-gc](https://basf.com/en/gri-gc)

The SASB index can be found at [basf.com/sasb](https://basf.com/sasb)

WE SUPPORT



IFRS Sustainability Alliance



COMMUNITY MEMBER

2022

## Data

All information and bases for calculation in this report are founded on national and international standards for financial and sustainability reporting. The data and information for the reporting period were sourced from the expert units responsible using representative methods. Due to rounding, individual figures may not add up exactly to the totals shown and percentages may not correspond exactly to the figures shown.

The reporting period is the 2022 business year. We include relevant information made available up to the preparation of this report by the Board of Executive Directors at the accounts meeting on February 20, 2023 (editorial deadline).

BASF Group's scope of consolidation for its financial reporting comprises BASF SE, with its headquarters in Ludwigshafen, Germany, and all of its fully consolidated subsidiaries and proportionally consolidated joint operations. Shares in joint ventures and associated companies are accounted for, if material, using the equity method in the BASF Group Consolidated Financial Statements and are thus not included in the scope of consolidation.

The section "Employees" refers to employees active in a company within the BASF Group scope of consolidation as of December 31, 2022.

Our data collection methods for environmental protection and safety are based on the recommendations of the International Council of Chemical Associations (ICCA) and the European Chemical Industry Council (CEFIC). In the section "We Produce Safely and Efficiently," we report all data of the worldwide production sites of BASF SE, its fully consolidated subsidiaries and proportionally consolidated joint operations. BASF SE subsidiaries that are fully consolidated in the Group financial statements in which BASF holds an interest of less than 100% are included in full in environmental reporting. The emissions of proportionally consolidated joint operations are disclosed pro rata according to our shareholding. Work-related accidents at all sites of BASF SE and its subsidiaries as well as joint operations and

joint ventures in which we have authority in terms of safety management are compiled worldwide regardless of our interest and reported in full. Unless otherwise indicated, data on social responsibility and transportation safety refers to the BASF Group's scope of consolidation.

 For more information on companies accounted for in the Consolidated Financial Statements, see the Notes from page 214 onward

 The list of shares held can be found at [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)


## External audit

Our reporting is externally and independently audited by third parties. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the BASF Group Consolidated Financial Statements and the Management's Report and has approved them free of qualification.

The limited assurance of the sustainability information contained in the Management's Report was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant assurance standards for sustainability reporting. KPMG conducted a reasonable assurance of all disclosures on the most important nonfinancial key performance indicator "CO<sub>2</sub> emissions." KPMG also conducted a limited assurance of the nonfinancial group statement (NFS).

The captions, links, QR codes and additional content provided on linked internet sites are not part of the audited information.

 The Independent Auditor's Report can be found from page 197 onward


 An assurance statement on the sustainability information in the BASF Report 2022 can be found at [basf.com/sustainability\\_information](https://basf.com/sustainability_information)


An assurance statement of the NFS can be found at [basf.com/nfs-audit-2022](https://basf.com/nfs-audit-2022)


## Forward-looking statements and forecasts


This report contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such risk factors include those discussed in Opportunities and Risks on pages 157 to 167. We do not assume any obligation to update the forward-looking statements contained in this report above and beyond the legal requirements.

## Symbols

 You can find more information in this report.

 You can find more information online. The content of these links are voluntary disclosures that were not audited by the auditor.

 The content of this section is not part of the statutory audit but has undergone separate limited assurance by our auditor.

 The content of this section is voluntary, unaudited information, which was critically read by the auditor.



# To Our Shareholders

- Contents
- To Our Shareholders**
- Management's Report
- Corporate Governance
- Consolidated Financial Statements
- Overviews

---

<b>Letter from the Chairman of the Board of Executive Directors</b> .....	8
<b>The Board of Executive Directors of BASF SE</b> .....	11
<b>BASF on the Capital Market</b> .....	12



*Dear shareholder,*

The past year has been a brutal wakeup call that peace and economic stability cannot be taken for granted. Since February 24, 2022, a war has been raging in Ukraine – in the middle of Europe. This is a catastrophe for the people of Ukraine, and it marks a new era for all of us. We absolutely condemn Russia’s invasion.

There are considerable consequences for the global economy, and future developments are very uncertain. The past year was characterized by rising energy prices, inflation and fears of far-reaching economic turmoil.

Natural gas is one of our most important energy sources and a key raw material. The gradual reduction of Russian gas deliveries and the associated increase in energy prices in Europe presented us with immense challenges. Thanks to the

incredible efforts of the BASF team, we were able to significantly reduce our gas consumption in Europe. Now, we would still be able to operate our largest site in Ludwigshafen even if we only had around 30% of the average gas volume that we consumed in 2021.

**Our economic performance in 2022**

Not only in Europe did 2022 turn out to be fundamentally different than had been expected at the beginning of the year. In addition to the volatile global economy and high inflation, China’s strict zero-COVID policy also had an adverse impact on markets. Nevertheless, BASF’s business proved robust. In 2022, sales rose by 11% to €87.3 billion (2021: €78.6 billion). Our employees demonstrated exceptional dedication. We were able to implement price hikes in nearly all segments. Income from operations (EBIT) before special items amounted to €6.9 billion, down by €890 million compared with the €7.8 billion recorded in 2021, but within our forecast range.



***BASF’s business proved robust in 2022.***

Russia’s war against Ukraine destroyed the political, economic and social ties between Russia and the West that had been built up over decades. We therefore decided to wind down our business in Russia and Belarus in 2022. The sole exception is our business that supports food production, as the war also increases the risk of a global food crisis. Wintershall Dea, in which BASF owns the majority of ordinary shares, will also cease its activities in Russia. Due to the developments there, BASF had to write down its stake in Wintershall Dea by several billion euros. For the BASF Group, this resulted in negative net income for the year.

The considerable slowing of the global economy also impacted the stock markets. After reaching its 2022 high of €68.69 on February 11, BASF’s share price fell over the course of the year. At the Annual Shareholders’ Meeting, we want to propose a dividend of €3.40 per share, equal to the prior-year level. This would represent a payment of €3.0 billion to shareholders. Based on the 2022



year-end share price of €46.39 and the proposed dividend, the BASF share would thus offer a high dividend yield of around 7.3%.

### **Our transformation – Important steps toward climate neutrality**

Despite the tense global economic situation, our priorities with regard to climate protection have not changed. The energy transformation is still at the top of our agenda. As the industry leader, we continue to make great strides here. We are working hard to significantly reduce our carbon footprint. Our goal is to achieve net zero emissions by 2050. This transformation requires endurance, resources and – most importantly – our combined knowledge. It is an enormous undertaking, but we are making good progress. I am very proud that teams at all our sites are pursuing this goal with great passion.

This includes the colleague shown on the cover of this report. She and many others are working to further expand our supply of green electricity in North America. As one example, our Verbund site in Freeport, Texas, is already benefiting from new purchase agreements for solar energy. We want our future energy purchases to come from renewable sources and are pursuing this strategy worldwide.

We are also investing in our own capacity to produce green electricity. At the Schwarzheide site in Germany, for example, our new solar park that we operate with a partner went online at the end of August 2022. In the North Sea, work is progressing as planned on the offshore wind farm Hollandse Kust Zuid, a joint project with Vattenfall and Allianz.

Last July, the first volumes of green electricity arrived at the Ludwigshafen site. This wind farm is slated to become fully operational in 2023.



***The energy transformation is still at the top of our agenda.***

### **Our production – New technologies for the Verbund of the future**

We are also breaking new ground in terms of how we produce, for example, in Zhanjiang in southern China, where we are building a new Verbund site. Once completed, Zhanjiang will be our third-largest Verbund site after Ludwigshafen and Antwerp. It is an ambitious project in the chemical industry's most dynamic growth market. In Zhanjiang we will deploy the newest and most innovative technologies, making the site a role model for sustainable production – in China and worldwide.



***We are also charting new territory when it comes to our production methods.***

We are also transforming our existing sites. Our Verbund site in Antwerp aspires to be the first petrochemical site to approach net zero emissions by 2030, in part thanks to new, energy-efficient technologies. The Ludwigshafen site is also forging ahead, and we are testing many trailblazing approaches in pilot projects there. One of these is the steam cracker of the future that we are developing with our partners SABIC and Linde. It will be heated with electricity from renewable sources instead of natural gas. This project is being supported by Germany's Federal Ministry for Economic Affairs and Climate Action. Over its more than 150-year history, BASF's raw material base has changed again and again – from coal tar, to oil, to natural gas and now to renewables. I am therefore confident our transformation will be successful this time, too.

### **Our strength – We are close to our customers**

The transformation toward value chains and products with low or zero carbon footprints will give us a competitive edge. In 2022, we further expanded our portfolio of products with a certified reduced carbon footprint. In this way, we help our customers to achieve their own sustainability goals.

We are stepping up our investments in growth regions because a more balanced regional portfolio makes us more resilient in a multipolar world. We are focusing

on organic growth and are planning capital expenditures of €28.8 billion worldwide by 2027. Not having a presence in large growth markets, such as China, would be a major risk for BASF. Of course, we also assess our investments from various perspectives. We are therefore watching developments in China very closely and continuing our open dialog.

We are expanding MDI production at our site in Geismar, Louisiana. Our aim is to grow together with our MDI customers in North America and around the world, whether in the construction sector, the automotive industry or in shoe and furniture manufacturing. The total investment volume of around \$1 billion makes it BASF's largest single investment in North America to date.

We also further expanded our global business with battery materials in 2022. This includes investments to increase our production capacities for cathode materials and to establish innovative recycling concepts in the three key regions Europe, North America and Asia.

**Our operating environment – 2023 to remain challenging**

The year 2023 will also bring significant challenges. The high level of uncertainty will continue. Unlike the beginning of 2022, there will no longer be momentum from pent-up demand following the coronavirus pandemic. The difficult global economic situation will dampen demand worldwide.

We are prepared for what lies ahead and we have put ourselves on the right track. We will continue to reduce our dependency on natural gas. This is particularly a matter of urgency in Europe, as we expect prices to remain significantly above pre-crisis levels in the long term. We are making our sites leaders in climate-neutral production. And we are strengthening our competitiveness. One contribution here will be from a cost-savings program with a focus on Europe and especially Germany.

We want to shape the transformation. But industry can only provide a stable foundation for prosperity when it operates in a competitive framework. Most recently, the war in Ukraine has made it clear that many urgently needed modernization efforts in Germany and Europe have been delayed for too long – digitalization, the sluggish expansion of renewable energy and the necessary investments in infrastructure. We can no longer afford for approval processes to take a decade or for projects to be endlessly debated. In Germany in particular, we are still slamming on the brakes even though now is the time to accelerate.

Moreover, the European Commission's Green Deal will unleash a flood of regulations on the chemical industry, putting an additional burden on us. We therefore urgently need to reset priorities. This will require that policymakers, society and industry work together toward a common goal: a competitive industry that is strong enough to be the motor of change. We also continue to rely on the support of our many shareholders. I appreciate your trust and I am glad that you are joining us on this journey. Thank you!

Yours,



**Martin Brudermüller**



***Competitive industry is a stable foundation for prosperity.***



***The year 2023 will also bring significant challenges.***

## The Board of Executive Directors of BASF SE



Michael Heinz

Dr. Melanie Maas-Brunner

Dr. Martin Brudermüller,  
Chairman of the Board  
of Executive Directors

Dr. Hans-Ulrich Engel,  
Vice Chairman of the Board  
of Executive Directors

Saori Dubourg

Dr. Markus Kamieth

# BASF on the Capital Market

GRI 2

In 2022, the stock markets were characterized by a significant weakening of the global economy. This was primarily attributable to the Russian war of aggression against Ukraine, the drastic increase in energy prices, high inflation, increased interest rates and pandemic-related lockdowns in China. These developments dampened demand in many sectors and had a negative impact on economic growth, especially in Europe. BASF will nevertheless propose a dividend of €3.40 per share to the Annual Shareholders' Meeting. Based on the year-end share price for 2022, BASF shares offer a high dividend yield of around 7.3%.

## At a glance

- BASF share price declined by 24.9% in 2022
- Proposed dividend of €3.40 per share at prior-year level
- Dividend yield of around 7.3% based on the 2022 year-end share price

## BASF share performance

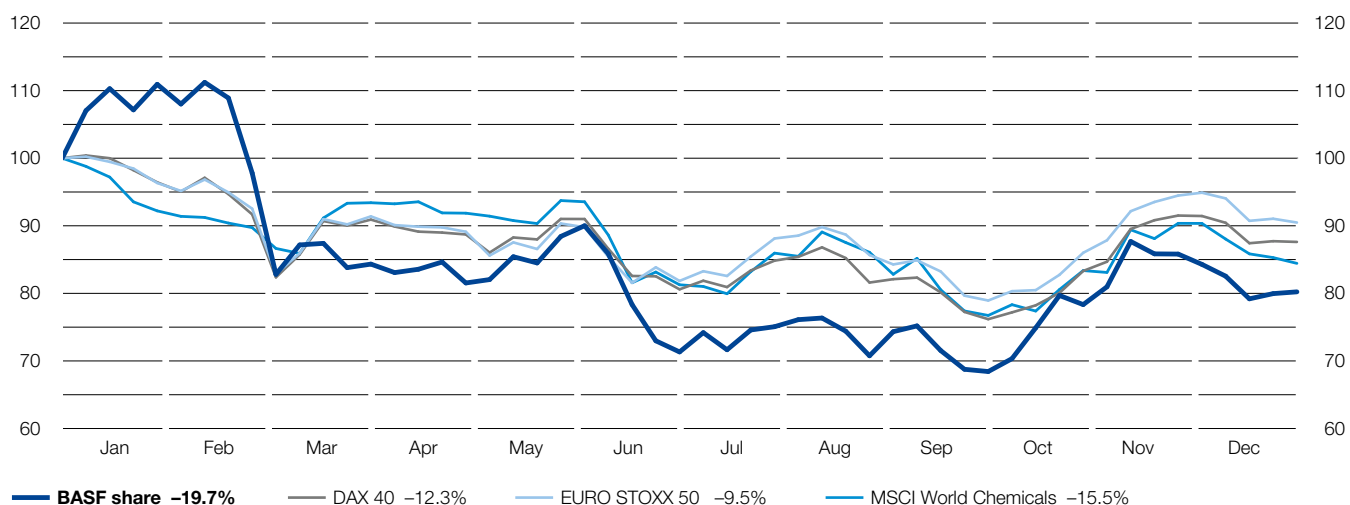
BASF's share price reached an annual high of €68.69 on February 11, 2022, before declining over the remainder of the year. This was mainly attributable to the Russian war of aggression against Ukraine and the associated risks to natural gas supplies in Europe. The resulting higher energy prices negatively impacted the competitiveness of energy-intensive companies in Europe in particular.

In addition, high inflation and increased interest rates weakened demand in key customer industries, especially in the second half of the year.

Assuming that dividends were reinvested, BASF's share performance declined by 19.7% in 2022. The benchmark indexes of the German and European stock markets – the DAX 40 and the EURO STOXX 50 – fell by 12.3% and 9.5% over the same period,

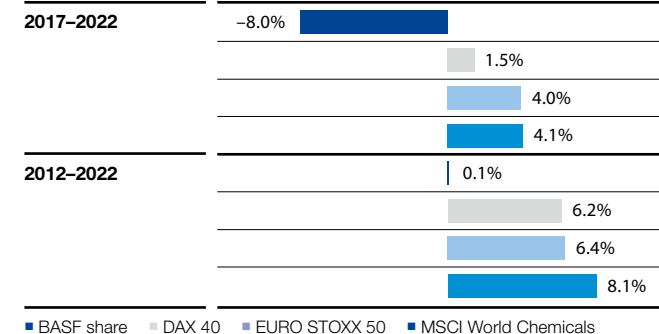
## Change in value of an investment in BASF shares in 2022

With dividends reinvested; indexed



## Long-term performance of BASF shares compared with indexes

Average annual increase with dividends reinvested

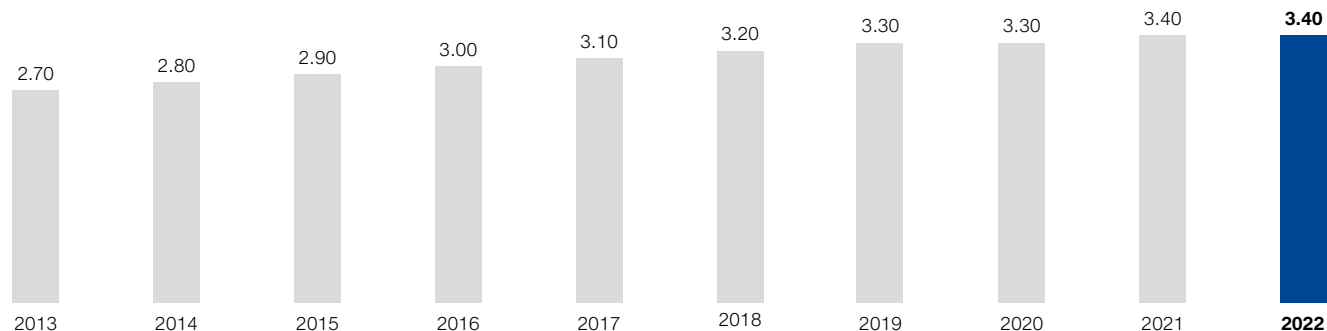


## Weighting of BASF shares in important indexes as of December 31, 2022

DAX 40	3.6%
EURO STOXX 50	1.5%
MSCI World Chemicals	4.1%

### Dividend per share

€ per share



respectively. The global industry index MSCI World Chemicals lost 15.5%.

### Proposed dividend

It is to be proposed to the Annual Shareholders' Meeting that a dividend of €3.40 per share, at the same level as previous year, and thus €3.0 billion<sup>1</sup> be paid out to the shareholders of BASF SE.

With this proposed dividend, BASF shares offer a high dividend yield of around 7.3% based on the year-end share price for 2022. BASF is part of the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 40.

### Share buyback program

On January 4, 2022, the Board of Executive Directors of BASF SE resolved on a share buyback program. The program has a volume of up to €3 billion, started on January 11, 2022, and shall be concluded by December 31, 2023, at the latest.

As of December 31, 2022, BASF SE had acquired 24,623,765 company shares for a purchase price of €1.3 billion. This corresponded to 2.68% of outstanding shares. The repurchased shares were canceled and the share capital was reduced by the corresponding pro rata amount (€31,518,419.20).

By way of a resolution of the Annual Shareholders' Meeting on April 29, 2022, the Board of Executive Directors is authorized to buy back company shares in an amount of up to 10% of the share capital.

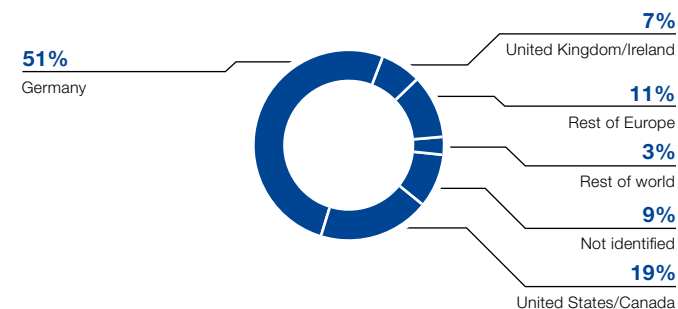
In addition to dividend payments, share buybacks are another tool that BASF uses to create value for its shareholders.

### Broad base of international shareholders

With over 900,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. An analysis of the shareholder structure carried out at the end of 2022 showed that, at around 19% of share capital, the United States and Canada made up the largest regional group of institutional investors. Institutional investors from Germany accounted for around 6%. Institutional investors from the United Kingdom and Ireland hold 7% of BASF shares, while investors from the rest of Europe hold a further 11% of capital. Approximately 45% of the company's share capital is held by private investors, nearly all of whom reside in Germany. BASF is therefore one of the DAX companies with the largest percentage of private shareholders.

### Shareholder structure

By region, rounded



### Employees becoming shareholders

In many countries, we offer share purchase programs that turn our employees into BASF shareholders. In 2022, for example, around 27,100 employees (2021: around 23,600) purchased BASF shares worth €92.8 million (2021: €38.2 million).

[For more information on employee share purchase programs, see page 101 onward](#)

<sup>1</sup> Based on the number of outstanding shares as of December 31, 2022 (893,854,929)

## BASF – a sustainable investment

### At a glance

- CDP again awards BASF Leadership status
- BASF again achieves “Prime” status in ISS ESG rating

BASF has participated in the program established by the international organization CDP (formerly the Carbon Disclosure Project) for reporting on data relevant to climate protection since 2004. CDP represents over 680 investors with over \$130 trillion in assets and more than 280 major organizations with \$6.4 trillion in purchasing power. In 2022, BASF again scored A– on CDP’s Climate List, giving it Leadership status. Among other things, the assessment considers the transparency of emissions reporting, the handling of risks and opportunities arising from climate change, the climate protection strategy and CO<sub>2</sub> reduction measures.

BASF achieved the top rating of A in the CDP assessment for sustainable water management (previous year: A–). The assessment takes into account how transparently companies report on their water management activities and how they reduce risks such as water scarcity. CDP also evaluates the extent to which product developments can contribute to sustainable water management for customers of the companies assessed. BASF continues to implement its sustainable water management target at all relevant production sites.

BASF participated in the CDP’s “Forests” assessment for the third time in 2022 and was ranked A–, as in previous years. BASF is committed to ending deforestation in the relevant businesses in which it is active. As such, BASF is one of the companies with Leadership status in this area as well.

BASF again achieved Prime status in the ISS ESG rating developed by Institutional Shareholder Services and is among the top 7% of the companies assessed. BASF received special recognition for addressing key sustainability issues such as environmental

### Key BASF share data

		2018	2019	2020	2021	2022
Year-end price	€	60.40	67.35	64.72	61.78	46.39
Year high	€	97.67	74.49	68.29	72.61	68.69
Year low	€	58.40	56.20	39.04	57.88	38.85
Year average	€	80.38	64.77	53.31	66.20	49.90
Daily trade in shares <sup>a</sup>						
	million €	229.6	187.6	219.2	170.8	183.0
	million shares	2.9	2.9	4.1	2.6	3.7
Number of shares December 31	million shares	918.5	918.5	918.5	918.5	893.9
Market capitalization December 31	billion €	55.5	61.9	59.4	56.7	41.5
Earnings per share	€	5.12	9.17	-1.15	6.01	-0.70
Adjusted earnings per share	€	5.87	4.00	3.21	6.76	6.96
Dividend per share	€	3.20	3.30	3.30	3.40	3.40
Dividend yield <sup>b</sup>	%	5.30	4.90	5.10	5.50	7.33
Payout ratio	%	63	36	.	57	.
Price-earnings ratio (P/E ratio) <sup>b</sup>		11.8	7.3	.	10.3	.

<sup>a</sup> Average, Xetra trading  
<sup>b</sup> Based on year-end share price

### Further information on the BASF share

#### Securities code numbers

Germany	BASF11
United States (CUSIP number)	055262505
ISIN International Securities Identification Number	DE000BASF111

#### International ticker symbols

Deutsche Börse	BAS
Pink Sheets / OTCQX	BASFY (ADR)
Bloomberg (Xetra trading)	BAS GY
Reuters (Xetra trading)	BASFn.DE

management, energy efficiency and business ethics with a comprehensive set of measures and processes.

In Sustainalytics<sup>1</sup> ESG Risk Ratings, BASF belongs to the best category for “diversified chemicals” with a medium ESG risk and was recognized for its risk management, for example, in the areas of CO<sub>2</sub> emissions, wastewater and waste, as well as occupational health and safety.

BASF is participating in a pilot project on the U.N. Global Compact's new reporting format. We consistently support the U.N. Global Compact and its 10 principles of responsible business conduct and the Sustainable Development Goals.

 For more information on the key sustainability indexes, see [basf.com/sustainabilityindexes](https://basf.com/sustainabilityindexes)

 For more information on energy and climate protection, see page 135 onward

For more information on emissions to air, waste and remediation, see page 142 onward

For more information on water, see page 144 onward

For more information on the procurement of certified palm oil and palm kernel oil, see page 117 onward

## Analysts' recommendations

Around 30 financial analysts regularly publish studies on BASF. The latest analyst recommendations for our shares as well as the average target share price ascribed to BASF by analysts can be found online at [basf.com/analystestimates](https://basf.com/analystestimates).

## Close dialog with the capital market

### At a glance

- Continued use of virtual formats complemented by physical investor events
- Investor Update in March 2022 and R&D Webcast in November 2022

Regular and transparent communication with the capital market is key to increasing long-term value. We continued to use mainly virtual formats such as video or conference calls for dialog in 2022. We engaged with institutional investors and rating agencies in numerous one-on-one meetings, as well as at roadshows and conferences worldwide. In the second half of 2022 in particular, we again recorded increased interest in investor visits to the Ludwigshafen site in Germany. We gave private investors an insight into BASF at virtual and physical informational events.

In a virtual Investor Update in March 2022, Dr. Martin Brudermüller outlined BASF's progress on its journey toward the medium-term reduction target by 2030 and toward net zero CO<sub>2</sub> emissions<sup>2</sup> by 2050.

 For more information on our climate protection targets, see page 27

In November 2022, Dr. Melanie Maas-Brunner offered analysts and investors insight into the BASF Group's research and development. Various BASF research projects and products from the fields of white biotechnology, alternative carbon sources and the development of biodegradable products were presented in a webcast titled “Driving sustainability with microorganisms.”

Analysts and investors have again confirmed the quality of our financial market communications. In the annual survey conducted by Britain's IR Magazine, we placed first in the category “Best IR Website (Large Caps).” At the Investors' Darling awards ceremony, Manager Magazin presented BASF with the special prize for sustainability communications. In addition, NetFed, a consultancy specializing in digital communications, awarded the BASF Investor Relations website second place in the IR Benchmark 2022.

 For more information about the BASF share, see [basf.com/share](https://basf.com/share)

For more information on the 2022–2023 share buyback program, see [basf.com/sharebuyback](https://basf.com/sharebuyback)

For more information on the Investor Update 2022, see [basf.com/investor-update-2022](https://basf.com/investor-update-2022)

For more information on the R&D Webcast 2022, see [basf.com/rd-webcast-2022](https://basf.com/rd-webcast-2022)

Register for the newsletter with current topics and dates at [basf.com/share/newsletter](https://basf.com/share/newsletter)

Contact the Investor Relations team by phone at +49 621 60-48230 or email [ir@basf.com](mailto:ir@basf.com)

<sup>1</sup> Sustainalytics provides institutional investors and companies with ESG research, ratings and analytics.

<sup>2</sup> Based on the BASF Group's Scope 1 and Scope 2 emissions; other greenhouse gases are converted into CO<sub>2</sub> equivalents in accordance with the Greenhouse Gas Protocol



# Management's Report

Contents  
To Our Shareholders  
**Management's Report**  
Corporate Governance  
Consolidated Financial Statements  
Overviews

---

<b>Overview</b> _____	<b>17</b>	<b>The BASF Group's Business Year</b> _____	<b>52</b>	<b>Sustainability Along the Value Chain</b> _____	<b>100</b>
Nonfinancial Statement Disclosures _____	18	Economic Environment _____	52	We Value People and Treat Them with Respect _____	101
TCFD Recommendations Index _____	19	Results of Operations _____	56	We Source Responsibly _____	114
		Net Assets _____	61	We Produce Safely and Efficiently _____	123
<b>The BASF Group</b> _____	<b>20</b>	Financial Position _____	63		
How We Create Value _____	24	Actual Development Compared With Outlook for 2022 _____	67	<b>Forecast</b> _____	<b>151</b>
		Business Review by Segment _____	69	Economic Environment in 2023 _____	151
<b>Our Strategy</b> _____	<b>26</b>	Chemicals _____	72	Outlook 2023 _____	154
Our Strategic Action Areas _____	28	Materials _____	76	Opportunities and Risks _____	157
Our Values and Global Standards _____	31	Industrial Solutions _____	79		
Business Models of the Segments _____	32	Surface Technologies _____	82		
Targets and Target Achievement 2022 _____	35	Nutrition & Care _____	85		
Material Investments and Portfolio Measures _____	37	Agricultural Solutions _____	88		
Our Steering Concept _____	41	Other _____	91		
Our Sustainability Concept _____	45	Non-Integral Oil and Gas Business _____	92		
Innovation _____	49	Regional Results _____	94		
		E.U. Taxonomy _____	95		



# Overview

GRI 2

**The Management's Report comprises the chapter of the same name on pages 16 to 167, as well as the disclosures required by takeover law and the Declaration of Corporate Governance. These are presented in the Corporate Governance chapter. The Nonfinancial Statement (NFS) is integrated into the Management's Report.**

## NFS in accordance with sections 315b and 315c of the German Commercial Code (HGB)

The NFS disclosures can be found in the relevant sections of the Management's Report and have been prepared in accordance with the appropriate frameworks: the Global Reporting Initiative Standards and the reporting requirements of the U.N. Global Compact. The table on the following page shows the sections and subsections in which the individual disclosures can be found. In addition to a description of the business model, the NFS includes disclosures on the following matters, to the extent that they are required to understand the development and performance of the business, the Group's position and the impact of business development on the following matters: environmental matters, employee-related matters, social matters, respect for human rights, anti-corruption and bribery matters.

In accordance with the E.U. Taxonomy Regulation and the supplementary delegated acts, the NFS includes the proportion of the Group's taxonomy-eligible and, for the first time, our Group-wide taxonomy-aligned turnover, capital expenditures (including acquisitions and excluding goodwill in accordance with the E.U. taxonomy) and operating expenditures for the 2022 business year. This applies to the environmental objectives of climate change mitigation and adaptation to climate change currently addressed in the E.U. taxonomy.

Within the scope of the annual audit, KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a limited assurance of the NFS. An assurance statement of the limited assurance can be found online at [basf.com/nfs-audit-2022](https://basf.com/nfs-audit-2022). The assurance was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international assurance standards for sustainability reporting.

## Disclosures required by takeover law in accordance with section 315a HGB

The disclosures required by takeover law in accordance with section 315a of the German Commercial Code (HGB) can be found in the Corporate Governance chapter starting on page 168. They form part of the Management's Report, which is audited as part of the annual audit.

## Compensation Report

The Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) is publicly available on the BASF website together with the assurance statement of the substantive and formal audit issued by the auditor.

 The Compensation Report is available online at [basf.com/compensationreport](https://basf.com/compensationreport)

## Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB





The Consolidated Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB can be found in the Corporate Governance chapter from page 194 onward and is a component of the Management's Report. It

comprises the Corporate Governance Report, including the description of the diversity concept for the composition of the Board of Executive Directors and the Supervisory Board (excluding the disclosures required by takeover law in accordance with section 315a HGB), compliance reporting and the Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act. Pursuant to section 317(2) sentence 6 HGB, the auditor checked that the disclosures according to section 315d HGB were made.

## Recommendations of the Task Force on Climate-related Financial Disclosures

BASF supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Disclosures recommended by the TCFD are presented in a number of places throughout this report. The table on page 19 shows the sections and subsections in which the relevant information can be found. The table is divided into four key areas in line with the TCFD recommendations: governance, strategy, risk management, and metrics and targets.

## Symbols, captions and QR codes

-  You can find more information in this report.
-  You can find more information online. The content of these links are voluntary disclosures that were not audited by the auditor.
-  The content of this section is not part of the statutory audit but has undergone a separate limited assurance by our auditor.
-  The content of this section is voluntary, unaudited information, which was critically read by the auditor.

Captions, links and the information contained on linked websites, and QR codes are not part of the audit.

**Nonfinancial Statement (NFS) disclosures in the relevant chapters of the integrated report**

<b>NFS disclosure</b>	<b>Topics</b>	<b>Concepts and results</b>
Business model	BASF Group	Pages 20–23
E.U. Taxonomy	E.U. Taxonomy	Pages 95–99
Environmental matters	Process safety	Page 36 (targets) / pages 123–124 and 125–127 (targets, measures, results)
	Biodiversity	Pages 147–150 (targets, measures, results)
	Energy and Climate Protection	Page 36 (targets) / pages 27 and 135–141 (targets, measures, results)
	Emergency response and corporate security	Pages 128–129 (targets, measures, results)
	Supplier management	Page 36 (targets) / pages 114–116 (targets, measures, results)
	Emissions to air	Pages 123–124 and 142–143 (targets, measures, results)
	Product stewardship	Pages 123–124 and 132–133 (targets, measures, results)
	Resource efficiency	Pages 43–44 and 142–143 (targets, measures, results)
	Steering of product portfolio	Page 45 (targets, measures, results)
	Transportation and storage	Pages 123–124 and 134 (targets, measures, results)
	Management of waste and contaminated sites	Pages 123–124 and 142–143 (targets, measures, results)
	Water	Page 36 (targets) / pages 123–124 and 144–146 (targets, measures, results)
Employee-related matters	Occupational safety	Page 36 (targets) / pages 123–124 and 125–126 (targets, measures, results)
	Dialog with employee representatives	Page 106 (targets, measures, results)
	Inclusion of diversity	Page 36 (targets) / pages 107–108 (targets, measures, results)
	What we expect from our leaders	Pages 102–103 (targets, measures, results)
	Health protection	Pages 123–124 and 127 (targets, measures, results)
	International labor and social standards	Page 110 (targets, measures, results)
	Learning and development	Pages 103–104 (targets, measures, results)
	Supplier management	Page 36 (targets) / pages 114–116 (targets, measures, results)
	Employee engagement	Page 36 (targets) / page 102 (targets, measures, results)
	Competition for talent	Page 103 (targets, measures, results)
	Compensation and benefits	Page 105 (targets, measures, results)
Social matters	Societal engagement	Pages 48 and 112 (targets, measures, results)
Respect for human rights	International labor and social standards	Page 110 (targets, measures, results)
	Supplier management	Page 36 (targets) / pages 114–116 (targets, measures, results)
	Responsibility for human rights	Pages 109–111 (targets, measures, results)
Anti-corruption and bribery matters	Compliance	Pages 179–181 (targets, measures, results)
	Supplier management	Page 36 (targets) / pages 114–116 (targets, measures, results)

**Recommendations of the Task Force on Climate-related Financial Disclosures in the relevant chapters of the integrated report**

Topic	Recommended disclosures	Section/explanation	Page
Governance  Disclose the organization's governance around climate-related risks and opportunities.	Describe the board's <sup>a</sup> oversight of climate-related risks and opportunities.	Corporate Governance Report – Direction and management by the Board of Executive Directors Report of the Supervisory Board Our Sustainability Concept – Our organizational and management structures	Pages 169–170 Pages 186–192 Page 47
	Describe management's <sup>b</sup> and senior executives' role in assessing and managing climate-related risks and opportunities.	Our Sustainability Concept – Our organizational and management structures	Page 47
Strategy  Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	Opportunities and Risks – Operational opportunities and risks Opportunities and Risks – Financial opportunities and risks Opportunities and Risks – Strategic opportunities and risks	Pages 160–163 Pages 163–164 Pages 164–167
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	Energy and Climate Protection – Strategy and governance Material topics in focus: Climate Change Our Sustainability Concept – Our organizational and management structures Our Strategic Action Areas – Sustainability Opportunities and Risks – Operational opportunities and risks Opportunities and Risks – Financial opportunities and risks Opportunities and Risks – Strategic opportunities and risks	Pages 135–136 Page 27 Page 47 Page 29 Pages 160–163 Pages 163–164 Pages 164–167
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Opportunities and Risks – Tools Opportunities and Risks – Strategic opportunities and risks	Pages 159–160 Pages 164–167
Risk management  Disclose how the organization identifies, assesses, and manages climate-related risks.	Describe the organization's processes for identifying and assessing climate-related risks.	Opportunities and Risks – Risk management process Opportunities and Risks – Tools	Pages 158–159 Pages 159–160
	Describe the organization's processes for managing climate-related risks.	Opportunities and Risks – Risk management process Opportunities and Risks – Strategic opportunities and risks	Pages 158–159 Pages 164–167
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	Opportunities and Risks – Tools	Pages 159–160
Metrics and targets  Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Energy and Climate Protection – Global targets Energy and Climate Protection – Energy supply	Page 136 Pages 137–138
	Disclose Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Energy and Climate Protection – Corporate carbon footprint Energy and Climate Protection – Global targets	Pages 139–140 Page 136
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Energy and Climate Protection – Strategy and governance Energy and Climate Protection – Energy supply	Pages 135–136 Pages 137–138

<sup>a</sup> Refers to the Supervisory Board  
<sup>b</sup> Refers to the Board of Executive Directors

# BASF Group

GRI 2

**At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. Around 111,500 employees contribute to the BASF Group's success worldwide. Our business is divided into the Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions segments.**

## Sites and Verbund

As one of the world's largest chemical companies, BASF is present in 91 countries. We operate 239 production sites worldwide. The foundation for the Verbund concept was laid in 1865 at the Ludwigshafen site in Germany and is still one of BASF's great strengths today. Intelligently linking and steering our Verbund plants creates efficient value chains – from basic chemicals to high value-added solutions such as coatings or crop protection products. The Verbund enables us to manage our production in a resource-efficient, carbon-optimized and reliable way. By-products from one facility are used as feedstocks elsewhere, for example. This saves us raw materials and energy, avoids emissions, lowers logistics costs and leverages synergies.

In addition to Ludwigshafen, BASF operates five other Verbund sites in Antwerp, Belgium; Freeport, Texas; Geismar, Louisiana; Kuantan, Malaysia; and Nanjing, China. Another Verbund site is being built in Zhanjiang in the southern Chinese province of Guangdong.

We also use the Verbund principle for more than production, applying it to technologies, the market and digitalization as well. Research expertise is bundled globally.

[For more information on the Verbund concept, see \[basf.com/en/verbund\]\(https://www.basf.com/en/verbund\)](https://www.basf.com/en/verbund)

[For more information on our segments' investments, see page 37 onward](#)

## The BASF Group's segments in 2022



### Chemicals

The Chemicals segment supplies BASF's other segments and customers with basic chemicals and intermediates.

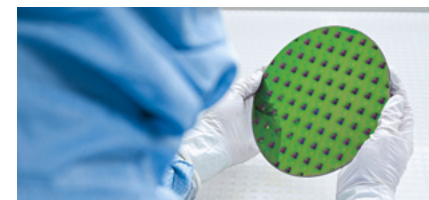
- Share of sales: 17%
- R&D expenses: €93 million
- Investments including acquisitions:<sup>1</sup> €1,701 million



### Materials

The Materials segment offers advanced materials and their precursors for the plastics and plastics processing industries.

- Share of sales: 21%
- R&D expenses: €201 million
- Investments including acquisitions:<sup>1</sup> €880 million



### Industrial Solutions

The Industrial Solutions segment develops and markets ingredients and additives for industrial applications.

- Share of sales: 12%
- R&D expenses: €172 million
- Investments including acquisitions:<sup>1</sup> €322 million



### Surface Technologies

The Surface Technologies segment offers chemical solutions for surfaces and automotive coatings, as well as battery materials and catalysts.

- Share of sales: 24%
- R&D expenses: €335 million
- Investments including acquisitions:<sup>1</sup> €740 million



### Nutrition & Care

The Nutrition & Care segment produces ingredients and solutions for consumer applications such as human and animal nutrition, and home and personal care.

- Share of sales: 9%
- R&D expenses: €172 million
- Investments including acquisitions:<sup>1</sup> €642 million



### Agricultural Solutions

The Agricultural Solutions segment is an integrated provider of seeds, crop protection and digital solutions for the agricultural sector.

- Share of sales: 12%
- R&D expenses: €944 million
- Investments including acquisitions:<sup>1</sup> €414 million

<sup>1</sup> Additions to property, plant and equipment and intangible assets

## Organization of the BASF Group

The BASF Group consists of eleven operating divisions, which are grouped into six segments as follows:

- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Resins, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

This segment structure enables us to steer our businesses in a differentiated way according to market-specific requirements and the competitive environment. We provide a high level of transparency around the results of our segments and show the importance of the Verbund and value chains to our business success. The operating divisions, the service units, the regions and the corporate center are the cornerstones of the BASF organization. This organizational structure lays the foundation for customer proximity, competitiveness and profitable growth. BASF aims to differentiate its businesses from their competitors and establish a high-performance organization to enable BASF to be successful in an increasingly competitive market environment.

[For more information on the products and services offered by the segments, see pages 72, 76, 79, 82, 85 and 88 onward](#)

[For more information on the segment structure, see Note 5 to the Consolidated Financial Statements from page 219 onward](#)

The divisions bear strategic and operational responsibility and are organized according to sectors or products. They manage the 52 global and regional business units and develop strategies for 72 strategic business units.

BASF's regional and national companies represent the Group locally and support the growth of business units with local proximity to customers. For financial reporting purposes, we organize the regional companies into four regions: Europe, North America, Asia Pacific, as well as South America, Africa and Middle East.

To strengthen our innovation capabilities, we reorganized our global research activities in 2022 and aligned them even more closely with the needs of our customers. As part of this, we integrated downstream research into the divisions and bundled activities with broad relevance for our customers in a research division. This division is globally positioned with research centers in Europe, North America and Asia Pacific.

[For more information on the reorganization of our research activities, see page 49 onward](#)

Five service units provide competitive services for the operating divisions and sites: Global Engineering Services, Global Digital Services, Global Procurement, European Site & Verbund Management and Global Business Services (finance, human resources, environmental protection, health, safety and quality, intellectual property, communications, procurement, supply chain and in-house consulting services).

We have driven forward the bundling of services and resources in the Global Business Services unit, making greater use of the digitalization of processes. This aims to achieve annual savings of more than €200 million from 2023.<sup>1</sup>

The Corporate Center supports the Board of Executive Directors in steering the company as a whole. These include central tasks from the following areas: strategy, finance and controlling, compliance and law, tax, environmental protection, health, safety and quality, human resources, communications, investor relations, corporate audit and the Net Zero Accelerator unit.

## Procurement and sales markets

BASF supplies products and services to around 82,000 customers<sup>2</sup> from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and small and medium-sized enterprises to end consumers.

We work with over 70,000 Tier 1 suppliers<sup>3</sup> worldwide. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services.

[For more information on customers, see page 26; for more on suppliers, see page 114 onward; for more on raw materials, see page 117 onward](#)

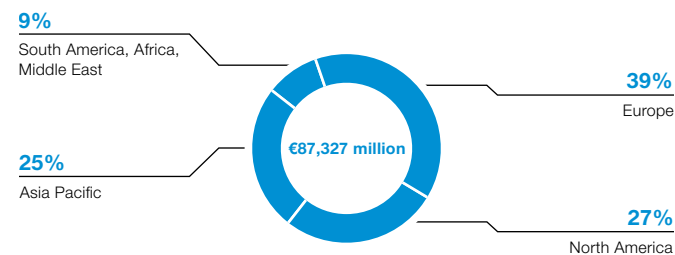
### BASF sales by industry 2022

Direct customers

>20%	Chemicals and plastics   Transportation (respectively)
10%–20%	Agriculture   Consumer goods (respectively)
<10%	Construction   Electronics   Energy and resources   Health and nutrition (respectively)

### BASF sales by region 2022

Location of customer

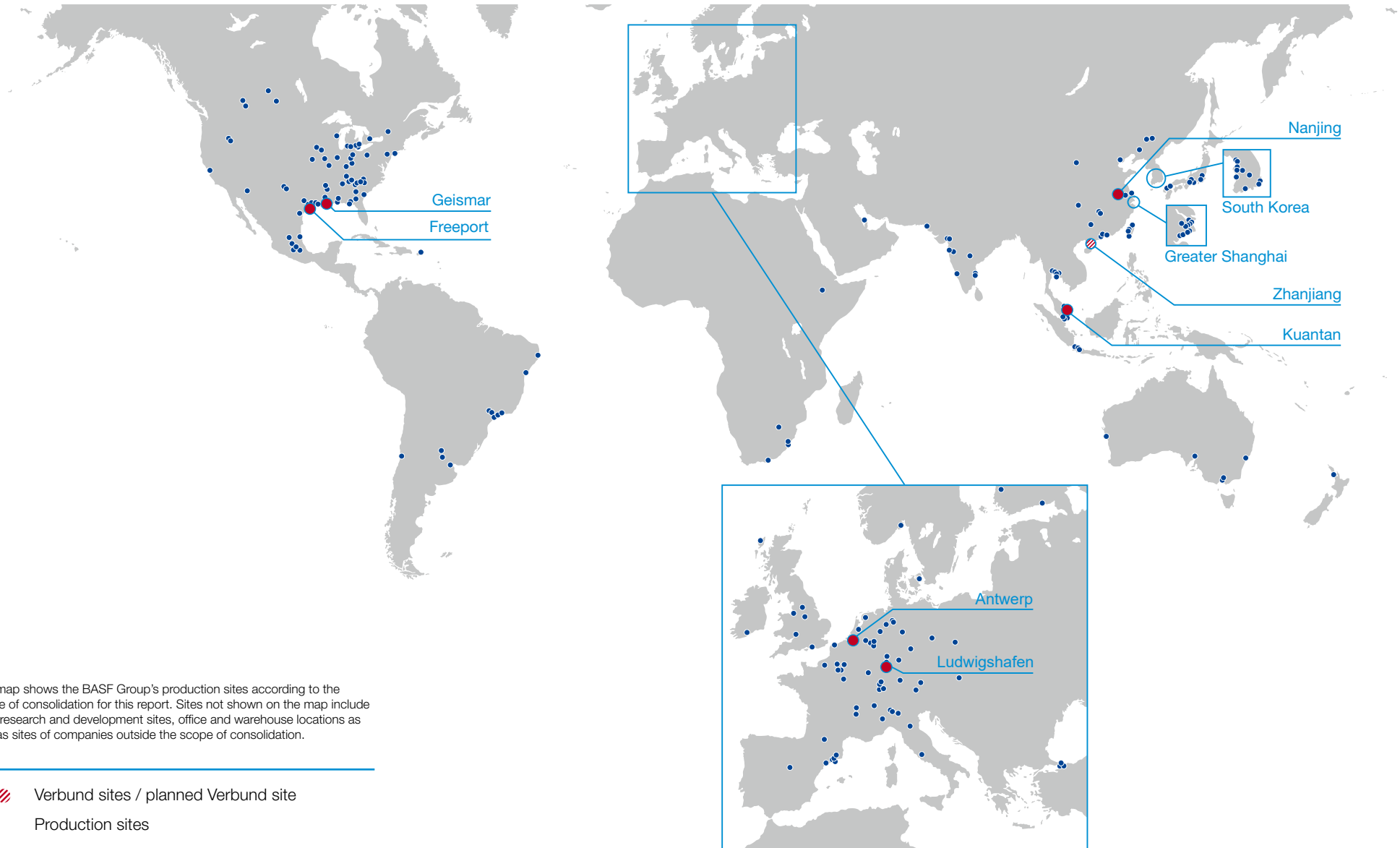


<sup>1</sup> Part of these savings is included in the €500 million cost savings program announced in October 2022.

<sup>2</sup> The number of customers refers to all external companies (sold-to parties) that had contracts with the BASF Group in the business year concerned in which sales were generated.

<sup>3</sup> BASF considers all direct suppliers of the BASF Group in the business year concerned as Tier 1 suppliers. These are suppliers that provide us with raw materials, investment goods, consumables and services. Suppliers can be natural persons, companies or legal persons under public law.

BASF's production sites



The map shows the BASF Group's production sites according to the scope of consolidation for this report. Sites not shown on the map include pure research and development sites, office and warehouse locations as well as sites of companies outside the scope of consolidation.

- / Verbund sites / planned Verbund site
- Production sites

## Business and competitive environment

BASF's global presence means that it operates in the context of local, regional and global developments and a wide range of conditions. These include:

- Global economic and political environment
- Legal and political requirements
- International trade agreements
- Industry standards
- Environmental agreements (such as the E.U. Emissions Trading System)
- Social aspects (such as the U.N. Universal Declaration of Human Rights)

! BASF holds one of the top three market positions in around 80% of the business areas in which it is active. ! Our most important global competitors include Arkema, Bayer, Clariant, Corteva, Covestro, Dow, Dupont, DSM, Evonik, Huntsman, Lanxess, SABIC, Sinopec, Solvay, Sumitomo Chemical, Syngenta, Wanhua and many hundreds of local and regional competitors. We expect competitors from Asia and the Middle East in particular to continue to grow in significance in the years ahead.

## Challenging market conditions in Europe

On February 24, 2022, Russia launched a war against Ukraine. BASF strongly condemns the Russian attack on Ukraine. As a consequence, the company announced on April 27, 2022, that it would wind down its existing business activities in Russia in accordance with international law. Exempt from this decision is business to support food production, as the war risks triggering a global food crisis. The decision to withdraw from Russia led to special charges in EBIT of €72 million, including impairments on property, plant and equipment of €14 million. In 2021, Russia and Belarus accounted for around 1% of the BASF Group's total sales.

The war in Ukraine has significantly changed the economic environment in Europe. Above all, reduced gas supplies from Russia led to much higher and volatile commodity and energy prices and exceptionally high uncertainty, especially surrounding the gas supply. As a result, the European gas price peaked at a monthly average of €235.94 per MWh (\$69.84 per mmBtu) in August 2022. In December 2022, it was significantly lower, averaging €118.25 per MWh (\$36.74 per mmBtu), but still more than five times the U.S. gas price (Henry Hub). European gas prices averaged €124.16 per MWh (\$38.01 per mmBtu) for the year, more than double the prior-year level and more than ten times the 2020 level. The consequences of the gas price increase are manifold: In addition to strong cost pressure, it is driving inflation, weakening the economy and slowing demand from our customer industries. This development made production adjustments necessary in Europe's energy-intensive industries. BASF took a variety of measures here. For example, ammonia production was temporarily scaled back and partly offset by higher plant utilization at non-European sites and through procurement. BASF also reduced its consumption of natural gas in European production by switching to alternative fuels wherever technically possible and economically viable. Even though European gas prices were already higher than U.S. prices before the outbreak of the war in Ukraine, they are expected to decline again with the targeted substitution and diversification of gas procurement sources and the shift to other energy sources, but to remain well above pre-crisis levels.

Another factor leading to generally challenging conditions for the European chemical industry include planned regulations under the European Green Deal. These will have far-reaching consequences for the regulation of chemicals in Europe. All of these headwinds are weakening the competitiveness of European chemical production.

Against this background and given the significant decline in earnings in our European market, we have announced a cost-cutting program focusing on Europe and above all Germany. Concrete measures are currently being developed. The program will be implemented in 2023 and 2024 and is expected to generate annual savings of €500 million in non-production areas upon completion. In

parallel, we are developing further measures to structurally adjust BASF's Production Verbund in Europe.

! For more information on how BASF is reducing its natural gas consumption, see page 118

## Corporate legal structure

As the publicly listed parent company of the BASF Group, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also one of the largest operating companies. In the BASF Group Consolidated Financial Statements, 248 companies including BASF SE are fully consolidated. We consolidate nine joint operations on a proportional basis and account for 23 companies using the equity method.

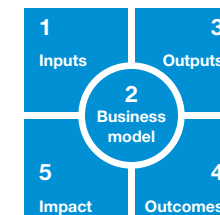
! For more information, see Note 2 to the Consolidated Financial Statements from page 214 onward

# How We Create Value

The following overview shows how we create value for our stakeholders. It is modeled on the framework of the former International Integrated Reporting Council (IIRC). The content of the graph has been audited within the scope of the relevant sections of the Management's Report.

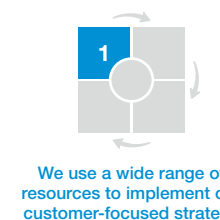


Discover the interactive How We Create Value graphic in the BASF Online Report at [basf.com/how-we-create-value](https://basf.com/how-we-create-value)



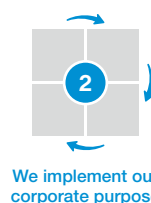
## Inputs

Financial	Innovation	Operations	Environment	Employees	Partnerships
Our aim is to ensure solvency at all times, limit financial risks and optimize the cost of capital.	We develop innovative solutions for and with our customers to expand our leading position.	Safety, quality and reliability are key to excellence in our production and plant operations.	We use natural resources to manufacture products and solutions with high value added for our customers.	Everything we do is based on the expertise, knowledge, motivation and conduct of our employees.	Trust-based relationships are crucial to our license to operate and our reputation.
48.4% Equity ratio	~10,000 R&D employees	€4.1 billion Capex	1.2 MMT Renewable raw materials	111,481 Employees around the world	>70,000 Suppliers
>900,000 Shareholders	€2.3 billion R&D expenses	16% Electricity from renewable sources	1,590 million m <sup>3</sup> Total water abstraction	€11.4 billion Personnel expenses	~82,000 Customers



## Business model

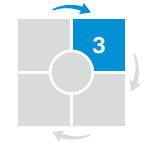
Corporate purpose	Our targets	How we operate
<b>We create chemistry for a sustainable future</b>	<ul style="list-style-type: none"> <li>Profitable growth</li> <li>Effective climate protection</li> <li>Product portfolio geared to innovation and sustainability</li> <li>Responsible procurement</li> <li>Resource-efficient and safe production</li> <li>Employee engagement and diversity</li> </ul>	<ul style="list-style-type: none"> <li>Our customers are at the core of our strategy. We have a global, customer-focused presence and strive to achieve a leading position in our markets and business areas.</li> <li>We build on a broad and diversified investor base.</li> <li>Sustainability and innovation are at the center of everything we do and a driver for growth and value.</li> <li>BASF's Verbund structure is the backbone of our efficient and reliable production.</li> <li>Our segments address customer needs with differentiated solutions and business strategies.</li> <li>Safety is always our number one priority.</li> <li>Effective corporate governance ensures responsible conduct.</li> <li>We value our employees and stakeholders and treat them with respect.</li> </ul>





## Outputs

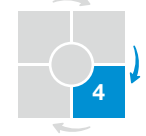
Financial	Innovation	Operations	Environment	Employees	Partnerships
€6.9 billion EBIT before special items	~1,000 New patents worldwide	~45,000 Sales products	>1,000 Mass balance products based on alternative raw materials	81% Engagement index according to 2022 employee survey	1,042 Suppliers screened through Together for Sustainability
€3.0 billion Proposed dividend payment to shareholders <sup>1</sup>	~€12 billion Sales of products that have been on the market for up to five years	6.2 MMT CO <sub>2</sub> avoided through Verbund and combined heat and power generation	79% Water demand recirculated	27.2% Women in leadership positions	~60 Strategic customer networks



We focus on material sustainability topics and evaluate the opportunities and risks of our actions

## Outcomes<sup>2</sup>

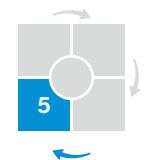
Economic	Environmental	Social
<p><b>We make positive contributions by</b></p> <ul style="list-style-type: none"> <li>Driving forward growth, progress and value creation</li> <li>Strengthening our customers' competitiveness and innovative strength</li> <li>Accelerating the digital transformation of the industry</li> <li>Offering our investors an attractive dividend yield</li> </ul> <p><b>Potential negative impacts</b></p> <ul style="list-style-type: none"> <li>Weaker growth stimulus as a result of the slowing economy, the war in Ukraine, the coronavirus pandemic and global trade conflicts</li> <li>A weaker share performance</li> </ul> <p><b>Our countermeasures</b></p> <ul style="list-style-type: none"> <li>Disciplined implementation of our corporate strategy</li> <li>Systematic cost management</li> <li>Active portfolio management</li> <li>Optimizing the cost of capital</li> </ul>	<p><b>We make positive contributions by creating products that</b></p> <ul style="list-style-type: none"> <li>Contribute to climate protection</li> <li>Conserve resources, avoid waste and strengthen circularity</li> <li>Pave the way for climate-smart mobility</li> <li>Are environmentally friendly and safe to use</li> </ul> <p><b>Negative impacts</b></p> <ul style="list-style-type: none"> <li>The emission of CO<sub>2</sub> and other gases that affect the climate</li> <li>Resource consumption and non-recyclable waste</li> <li>Potential misuse or spillage of products</li> </ul> <p><b>Our countermeasures</b></p> <ul style="list-style-type: none"> <li>Carbon management</li> <li>Circular Economy Program</li> <li>Sustainable water and energy management</li> <li>Responsible Care management (including product stewardship)</li> </ul>	<p><b>We make positive contributions because we</b></p> <ul style="list-style-type: none"> <li>Offer products that improve people's quality of life</li> <li>Provide attractive jobs and promote diversity</li> <li>Pay taxes and competitive wages and salaries</li> <li>Promote integration and help overcome social challenges</li> </ul> <p><b>Potential negative impacts</b></p> <ul style="list-style-type: none"> <li>Risk of violation of labor, environmental and social standards in the production of the raw materials we procure</li> <li>Personnel adjustments</li> </ul> <p><b>Our countermeasures</b></p> <ul style="list-style-type: none"> <li>Careful selection, evaluation and development of suppliers</li> <li>Projects to improve sustainability in the supply chains</li> <li>Compliance Program and Code of Conduct</li> <li>Employee training programs</li> </ul>



We aim to increase our positive contributions, minimize negative impacts and carefully assess conflicting goals

## Impact

We achieve long-term business success by creating value for our shareholders, our company, the environment and society (see [basf.com/en/value-to-society](https://basf.com/en/value-to-society))



<sup>1</sup> Based on the dividend proposed by the Board of Executive Directors and the number of outstanding shares as of December 31, 2022 (893,854,929)  
<sup>2</sup> The outcomes category shows examples of positive contributions as well as negative impacts and the measures we take to mitigate them.

# Our Strategy

GRI 203

**Chemistry is our passion. We want to be the most attractive partner for our customers to overcome challenges that can be solved with chemistry. Our customers are at the center of everything we do. With our products and technologies, our innovative and entrepreneurial spirit and the power of our Verbund integration, we want to grow profitably and at the same time, create value for society and the environment. This is our goal, which is embedded in our corporate purpose: We create chemistry for a sustainable future.**

Humankind is facing enormous challenges. The climate is changing, natural resources are becoming scarcer, pressure on ecosystems is increasing and our growing world population needs to be fed. More and more urgently than ever, **solutions are needed for a sustainable future**. Chemistry plays a key role here. In almost all areas of life, it can pave the way to greater sustainability with innovative products and technologies and accelerate the change needed to achieve this. This belief is expressed in our corporate purpose: We create chemistry for a sustainable future.

Our mission and motivation is to grow profitably and make a positive contribution to society and the environment. For example, BASF's solutions help to protect the climate, avoid or recycle waste, use resources more efficiently, produce healthy and affordable food, and enable climate-smart mobility.

At the same time, we are undergoing **profound changes**. We need to transform our company, as we have done repeatedly in the more than 150-year history of BASF. This time, we are moving toward climate neutrality and the circular economy. This involves managing long-term policy decisions like the European Green Deal, overcoming the consequences of current geopolitical conflicts such as the war in Ukraine, and driving forward digitalization. All of this requires a clear vision as well as a high degree of creativity and flexibility.

Both long-term trends and short-term developments in an environment characterized by volatility and uncertainty are challenging for the chemical industry. At the same time, they also open up numerous opportunities for new business areas and innovative products.

We want to lead the way in the chemical industry and **responsibly shape the change** – with ambitious targets and a concrete roadmap: We are gradually switching our energy and raw materials supplies from fossil to renewable sources. We are adapting our Verbund structure to the new circumstances as the basis for resource-efficient, safe and reliable production. We are developing new, pioneering carbon-free and low-carbon production processes for our products. We are accelerating our innovation processes and deepening cooperation with customers, suppliers and other partners to develop high-performance products with a lower carbon footprint. We are developing recycling technologies for various waste streams to strengthen the circular economy. We are harnessing the many opportunities of digitalization across all areas of the company. We are systematically aligning our portfolio with growth areas and future technologies, and are integrating sustainability into our value chains even more strongly. We create a working environment in which our employees can thrive and contribute to BASF's long-term success.]

For more information on our strategic action areas, see page 28 onward

In this section:

Strategic Action Areas

Values and Global Standards

Business Models of the Segments

Targets and Target Achievement 2022

Investments and Portfolio Measures

Steering Concept

Sustainability Concept

Innovation

## Good to know



## Our customers in focus

BASF supplies products and services to around 82,000 customers from almost all sectors and countries around the world. Our customers are mainly global and small and medium-sized companies, but also include end consumers. We are continually refining our organizational structure so that our operating divisions can flexibly address specific market and customer requirements and differentiate themselves from the competition. The operating divisions pursue different business strategies – from cost leadership in basic chemicals to tailored system solutions for specific customer applications. Above and beyond this, we are intensifying cooperation with our customers to jointly leverage innovation and growth potential. For instance, we have established around 60 strategic customer networks to address the needs of our most important customers even better and more quickly.



Renewable energy is a central building block on BASF's journey to climate neutrality. To enable us to meet our growing demand in the future, we are gradually switching our supply agreements to green power and investing in our own plants. One example is the Hollandse Kust Zuid offshore wind farm currently under construction, which has a total capacity of 1.5 gigawatts.

## Material topics in focus: Climate Change

GRI 3,302

**Climate change is the greatest challenge of the 21st century. Swift and resolute action is needed to ensure that the targets agreed in the Paris Climate Agreement can be achieved. We stand by this responsibility. In many areas, products and innovations based on chemistry are the key to a climate-neutral future – from insulation foams for energy-efficient buildings, lightweight construction components and battery materials for e-mobility to sustainable agriculture.**

At the same time, we are working intensively to significantly reduce the carbon footprint of our production and thus of our products. Our target: Net zero emissions by 2050.<sup>1</sup> We have set ourselves an ambitious milestone on this path. By 2030, we want to reduce greenhouse gas emissions by 25% compared with 2018 – while growing production volumes in parallel. Compared with 1990, this would translate into a reduction of around 60%. We are intensely pursuing our climate protection targets with investments of up to €4 billion by 2030. Our focus here is on five strategic levers:

- **Grey-to-green:** We are increasingly meeting our electricity needs from renewable sources. In 2022, the share of green power was 16%.
- **Power-to-steam:** In the future, we will increasingly rely on electrification and energy recovery in steam generation, for example, through the use of heat pumps or e-boilers.
- **New technologies:** We are developing pioneering carbon-free and low-carbon production processes, especially for emission-intensive basic chemicals such as hydrogen, olefins and aromatics.
- **Bio-based feedstocks:** We are increasingly replacing fossil resources with alternative raw materials. In 2022, for example, we procured around 1.2 million metric tons of renewable raw materials.
- **Continuous opex:** We are working to further improve the energy and process efficiency of our plants. In 2022 alone, BASF implemented more than 500 operational excellence measures.

We want to play an active and responsible role in shaping the transformation toward a climate-neutral society. This also requires

a political and regulatory environment that promotes innovation in climate protection, makes it possible to develop new processes that are competitive internationally and, above all, resolutely drives forward the expansion of renewable energies. Initial estimates suggest that at the Ludwigshafen site in Germany alone, we would need three to four times more green electricity than in 2021 to fully implement new, low-carbon electricity-based production processes. To meet this demand, we are investing in our own power assets and are increasingly buying green electricity on the market (make & buy approach).

We are also addressing the question of how climate change affects our sites. In Ludwigshafen, for example, we have been implementing a range of climate resilience measures for dealing with low water levels on the Rhine River since 2018, including an early warning system, multimodal transportation concepts, smarter management of cooling water and the development of an innovative type of barge for very low water levels. These measures already proved successful during the dry period in summer 2022.]

For more information on energy and climate protection, see page 135 onward

### Our global climate protection targets

**-25%**

Reduction in our greenhouse gas emissions by 2030 compared with 2018<sup>1</sup>

**Net zero**

Greenhouse gas emissions by 2050<sup>1</sup>

<sup>1</sup> Scope 1 and Scope 2 (excluding the sale of energy to third parties, including offsetting)

## Our Strategic Action Areas

GRI 203

**BASF's strategic orientation is founded on a comprehensive analysis of our markets, competitors and the economic environment. We continuously monitor global trends and short-term developments and anticipate the resulting opportunities and risks. The following six strategic action areas enable us to focus on our customers while strengthening our leading position in a competitive environment.**

### Innovation

Innovation is the bedrock of our success. BASF is a leader in the chemical industry with around 10,000 employees in research and development and R&D spending of around €2.3 billion. We want to expand this position by strengthening our research activities, especially in battery materials, polymer technologies and catalytic and biotechnological methods (see box on the right). In addition, we are expanding our cooperation with customers, universities, research institutions and other partners.

We reorganized our global research activities in 2022. Business and application-driven units that were previously part of three research divisions were integrated into the operating divisions, aligning them more closely with the needs of our customers. For greater efficiency and effectiveness, we have bundled research activities that are relevant to several operating divisions in the new cross-functional and cross-regional Group Research unit. This global research division supports our operating divisions' customer-specific R&D activities. It also drives forward cross-divisional projects on topics relevant to the entire Group, such as avoiding CO<sub>2</sub> in chemical processes and products, energy efficiency and recycling technologies.

Our **innovation pipeline** is geared to sustainability – especially climate protection and the circular economy. This lays the foundation for future growth: We are working intensively on fundamental innovations for products, processes and business models, for example, for the chemical recycling of plastics, battery and catalyst

### Good to know



### Driving sustainability with microorganisms

With its broad technological expertise, BASF is well positioned to develop innovative solutions for a sustainable future. One of our key technologies is white biotechnology. White biotechnology enables us to produce a wide range of products using a variety of feedstocks in an efficient, resource-conserving and flexible manner: biopolymers, essential ingredients for human and animal nutrition, crop protection products, flavors and fragrances, or ingredients for cosmetics. We also produce enzymes from fungi and bacteria for use in detergents. One example is BASF's protein-cleaving enzyme Lavery® Pro, which removes tough stains even at low temperatures and in short wash cycles, thus saving energy and water.

Microorganisms are not just used to manufacture products, but at the end of the product life cycle as well. We are working to understand how microorganisms metabolize complex organic

compounds into energy, water, carbon dioxide and biomass. A fundamental understanding of such biological processes is needed to use this natural method and develop biodegradable products. In addition, digital tools are an important component of the research work to predict the properties and biodegradability of molecules and materials at a very early stage of product development, enabling their structures to be adapted accordingly. This is important for products that end up in wastewater treatment plants at the end of their life cycles, such as cosmetics, laundry detergents and dishwashing products. Another example is our certified biodegradable biopolymer ecovio®. This can be used to produce mulch films that can be plowed under after use in the field and completely metabolized by microorganisms.

technologies, low-carbon production of basic chemicals, and digital, climate-smart farming. At the same time, we are developing product improvements in all business units that offer our customers sustainability and competitive advantages. These include surface solutions for the aviation and wind power industries, bio-based and biodegradable active ingredients for the cosmetics, detergent and cleaner industries, and engineering plastics based on renewable raw materials.


 For more information on innovation, see page 49 onward

## [Sustainability]

We believe that the economy, environment and society are inextricably linked and interrelated. We want to create value in all three areas with our products, solutions and technologies. We pledged our commitment to sustainability in 1994 and since then, have systematically aligned our activities with the principles of sustainability. We want to further strengthen our position as a pioneer for sustainable solutions. We see sustainability as an integral part of our strategy as well as our targets, steering processes and business models. In doing so, our aim is to be a responsible and attractive partner for our customers, develop new growth areas and lay the foundation for the long-term success of our company. Our approach covers the entire value chain – from the responsible procurement of our raw materials and safety and resource efficiency in production to sustainable solutions for our customers.

Protecting the climate is of central importance for us here. Since 1990, we have more than halved our carbon emissions while simultaneously doubling sales product volumes. By 2030, we want to reduce our absolute CO<sub>2</sub> emissions by 25% compared with 2018 and will invest up to €4 billion to this end. By 2050, we aim to achieve net zero greenhouse gas emissions from our production sites and our energy purchases. We are pursuing **ambitious climate protection targets** with our carbon management. This comprises five strategic levers that we are systematically driving forward to reduce our greenhouse gas emissions (see page 27).

In the future, we want to align our product portfolio even more strongly with climate protection, carbon neutrality and circularity in order to meet the growing sustainability demands in our markets with innovative solutions. That is why we are updating our Sustainable Solution Steering methodology for steering the **product portfolio** based on sustainability criteria (see page 45). We will apply the new methodology for the first time in the 2023 business year. In addition, a digital solution enables us to calculate the carbon footprint of our approximately 45,000 sales products – from raw materials extraction to the factory gate (“cradle-to-gate”). This creates transparency around the carbon intensity of our products and at the same time provides important starting points for reducing greenhouse gas emissions along our value chains.

 For more information on energy and climate protection and our carbon footprint, see page 135 onward  
For more information on the circular economy, see page 43 onward

## Production

Our core business is the production and processing of chemicals. Our strength here lies in the **Verbund** and its integrated value chains. This enables us to achieve efficient, reliable and CO<sub>2</sub>-optimized production and leverages synergies in the development and application of new technologies and the use of digital solutions. At the same time, the Verbund is the foundation for meeting the increasingly diverse needs of our customers and markets with a differentiated offering. Our comprehensive product portfolio ranges from basic chemicals to custom system solutions.

Our strategy is to produce locally for local markets, close to our customers. We plan to invest €28.8 billion worldwide between now and 2027 to expand our capacities based on market demand and to further increase the availability, efficiency and flexibility of our plants. In particular, we want to benefit from the strong growth of the chemical market in Asia (see “Portfolio”). Our global production footprint contributes to the regional diversification of our sales and earnings distribution, making it part of our risk management. It helps us to compensate for economic weaknesses and a lack of growth

prospects in individual markets within the BASF Group. This currently applies to Europe and especially Germany, where high natural gas prices and a challenging regulatory environment are negatively impacting our competitiveness and our growth.

 For more information on our production sites and the Verbund structure, see page 20 onward

## Digitalization

We want to leverage the diverse growth potential of digitalization, seize the associated opportunities to the benefit of our customers and strengthen our competitiveness. To achieve this, we promote digital skills among our employees, cooperate with partners and make digital technologies and ways of working an integral part of our business.

Digitalizing our plants and systematically analyzing data enables us to further automate processes and in this way, manage the capacity, availability and efficiency of our plants in line with market conditions, for example, by simulating value streams within our Verbund structure or through predictive maintenance. Linking data from different sources and using artificial intelligence for smart data analysis opens up numerous opportunities for us to manage our business more efficiently and improve our processes, for example, in logistics.

The combination of products, services and digital offerings also creates **new business models** and advantages for our customers, such as in agriculture or the personal care industry. In addition, digitalization enables us to further strengthen our innovative power. BASF has one of the most powerful supercomputers in the chemical industry – Curiosity. We use it to accelerate complex computing processes such as the simulation of molecules, for example. At the same time, we are working on groundbreaking technologies such as quantum computing, including as a founding member of the Quantum Technology and Application Consortium (QUTAC). We are also involved in other digitalization initiatives such as the Catena-X

network, where we are working with partners to develop a system for standardized data exchange in the automotive value chain.

## Portfolio

We are orienting our portfolio even more strongly toward **innovation-driven growth areas with high Verbund synergies**. Following major acquisitions (battery materials, engineering plastics, farming solutions) and divestitures (pigments, construction chemicals, paper and water chemicals) in recent years, we continued on this course in 2022 with divestitures and division-specific partnerships. As planned, we divested the kaolin minerals business to KaMin and the attapulgitic business to Clariant.

At the same time, we are strengthening the basis for our organic growth with investments. In North America, for example, we launched the third and final phase of the MDI expansion at the Geismar site in Louisiana in 2022. Examples in Europe include the construction of a new hexamethylenediamine (HMD) plant at our site in Chalampé, France, and the expansion of our polyamide 6.6 production in Freiburg, Germany. A new world-scale production plant for alkylethanolamines will be built at the Verbund site in Antwerp, Belgium, by 2024. The Asian market will play a key role in our future growth. With a share of more than 45%, China is already by far the world's largest chemical market and is a key driver of growth in global chemical production. We have a strong production, sales and innovation base in Asia, and in particular in **China**, which we will continue to expand. Our largest project is the new Verbund site in Zhanjiang in the southern Chinese province of Guangdong. We granted final approval for its construction in 2022. Once completed, it will be BASF's third-largest Verbund site after Ludwigshafen, Germany, and Antwerp, Belgium. Following the successful startup of the first plant for the production of engineering plastics in August 2022, the focus in Zhanjiang is now on the step-by-step establishment of the Verbund structure, starting with the construction of a steam cracker along with downstream plants for the production of petrochemicals and intermediates. Work is

also underway to complete a plant for thermoplastic polyurethanes and to build a plant for neopentyl glycol. In addition, the expansion of our Verbund site in Nanjing, China, operated together with Sinopec, started operation in 2022. New plants for products from the Petrochemicals and Intermediates divisions will be built there by the end of 2023.

We also further expanded our global **battery materials business** in 2022. This includes investments to increase our production capacities and to establish innovative recycling concepts in the three key regions of Europe, North America and Asia. At the Schwarzheide site in Germany, we started the multi-step commissioning process for a new production plant for cathode active materials<sup>1</sup> at the end of 2022, as planned. We are also building a prototype plant for battery recycling in Schwarzheide,<sup>1</sup> which is scheduled for startup in 2023, as well as a plant for the production of black mass from batteries on a commercial scale (planned startup: 2024). We are working on the integration of our production site in Harjavalta, Finland,<sup>2</sup> which supplies precursors for cathode active materials. Alongside our existing sites in North America, we are looking into investing in a new production site for cathode active materials and battery recycling in Bécancour, Canada. The new site allows for ample space to expand up to 100 kilotons of cathode active materials per year with potential for fully integrated precursor cathode active materials supply. We are also currently expanding the capacity of BASF Shanshan Battery Materials Co., Ltd. in China to 100 kilotons per year. The multi-step commissioning process for the new production lines at the Changsha and Shizuishi sites started in late 2022 as planned. In Onoda, Japan, work to expand production capacities for cathode active materials at BASF TODA Battery Materials LLC has also been underway since the end of 2022. This is scheduled for startup in the second half of 2024. Our production facilities in all key regions and growing capacities enable us to serve battery cell and automotive

manufacturers in all relevant markets even more extensively with tailored and sustainable solutions.

 For more information on material investments and portfolio measures, see page 37 onward

## Employees

Our employees are key to BASF's success. That is why we believe that it is important to have an attractive total offer package and an inspiring working environment that fosters and develops employees' individual talents and enables them and their teams to perform at their best. We are pursuing three action areas to make our high-performance organization even more so: empowerment, differentiation and simplification of structures and processes. At the same time, we encourage and promote a leadership culture that empowers our employees to respond to customer needs quickly and efficiently with a solution orientation. We value diversity in people, opinions and experience as being crucial to creativity and innovation. We embrace bold ideas, help our employees to implement them and learn from setbacks. This is founded on an open feedback and leadership culture based on mutual trust, respect and dedication to top performance.

 For more information on employees, see page 101 onward

<sup>1</sup> Our investment and research activities in Schwarzheide and Ludwigshafen, Germany, receive funding from the German Federal Ministry for Economic Affairs and Climate Action and the Ministry for Economic Affairs, Labor and Energy of the German state of Brandenburg under the IPCEI on Batteries (funding code 16BZF101A/B).

<sup>2</sup> The investment in Finland is co-financed by Business Finland, the Finnish government organization for innovation funding and trade, travel and investment promotion.



BASF welcomes all talents regardless of gender, cultural, religious or social background, sexual orientation or identity, origin or physical integrity. BASF also shows its colors during Pride Month and raises the rainbow flag at many sites around the world as a sign of openness, diversity, tolerance and respect.

Material topics in focus:

## Our Values and Global Standards

GRI 2

**We want to help change the world for the better. This is what drives us and is at the core of our corporate purpose: We create chemistry for a sustainable future. How we act is critical. BASF's four corporate values serve as a compass for us worldwide and are simultaneously an expression of our ambitions and our shared identity.**

Together with our Code of Conduct and our global standards, our CORE values lay the foundation for responsible conduct and trust-based relationships with our stakeholders. They define how we want to work together – as a team, with our customers and our partners:

- **C – creative:** We make great products and solutions for our customers. This is why we embrace bold ideas and give them space to grow. We act with optimism and inspire one another.
- **O – open:** We value diversity, in people, opinions and experience. This is why we foster feedback based on honesty, respect and mutual trust. We learn from setbacks.
- **R – responsible:** We value the health and safety of people above all else. We make sustainability part of every decision. We are committed to strict compliance and environmental standards.
- **E – entrepreneurial:** We focus on our customers, as individuals and as a company. We seize opportunities and think ahead. We take ownership and embrace personal accountability.

Our standards are based on, and in some cases, exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:

- The Universal Declaration of Human Rights and the two U.N. Human Rights Covenants
- The 10 principles of the U.N. Global Compact
- The core labor standards of the ILO and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- The OECD Guidelines for Multinational Enterprises

- The Responsible Care® Global Charter
- The German Corporate Governance Code

We stipulate binding rules for our employees with our standards and guidelines that apply throughout the Group. Our aim is to prevent compliance violations from the outset through compulsory training for all employees and special training for leaders. The Corporate Audit department continuously monitors compliance with requirements. We regularly assess our performance in environmental protection, health and safety as part of our Responsible Care Management System. We realize our responsibility to behave in accordance with international and social standards largely in three ways: through our Compliance Program, including our Code of Conduct and compliance hotlines, through close dialog with stakeholders and through the global management process to respect international labor norms. We pursue sustainability-oriented supply chain management and expect our business partners to comply with prevailing laws, regulations and internationally recognized principles. Here, too, we have established appropriate monitoring systems.]

For more information on human and labor rights, see page 109 onward

For more information on compliance, see page 179 onward

For more information on responsible procurement and the German Supply Chain Due Diligence Act, see page 114 onward

For more information on the Responsible Care Management System, see page 123 onward

## Business Models of the Segments

Our segments' business models are aligned with their specific strategic action areas. Innovation and sustainability are the cornerstones that will enable us to continue to be successful with our products and with our customers in the future and to collectively master the challenges that lie ahead.

### Chemicals

The Chemicals segment is at the heart of the Verbund. Its production facilities reliably supply BASF's other segments with chemicals to produce higher value-added products and in this way, contribute to the organic growth of the BASF Group. It also markets high-quality basic chemicals and intermediates to customers in downstream industries.

The segment creates value through process and product innovation and invests in research and development to implement new, sustainable technologies and make existing technologies even more efficient. Thanks to our integrated manufacturing processes, the carbon footprint of some of our products is significantly lower than that of our competitors. Technological leadership, operational excellence and a clear focus on individual value chains are among our most important competitive advantages. We concentrate on the essential success factors of the traditional chemicals business: leveraging economies of scale and the advantages of our Verbund, high asset availability, continuous optimization of access to raw materials, lean and energy efficient processes, and reliable, cost-effective logistics. We are continuously developing our value chains and are expanding our market position – especially in Asia – with investments and collaborations in growth markets.

Furthermore, we are constantly improving our **global production structures** and aligning these with regional market requirements. For example, we are modernizing our chloroformates and acid

#### Strategic alignment of the segments

	Chemicals	Materials	Industrial Solutions	Surface Technologies	Nutrition & Care	Agricultural Solutions
Verbund synergies	Catalysis					
	Process technology					
	Automotive industry					
	Recycling and renewable raw materials					
					Biosciences	
	Formulation					
	Digitalization and artificial intelligence					
Strategic focus	Economies of scale in basic chemicals and intermediates	High-performance plastics	Additives platform	Surface technology platform	Ingredients for consumer products	Connected offer across technologies for farmers
Innovation and sustainability focus	Emission-reduced processes	Applications, recycled and bio-based materials	Polymer dispersions, resins	Battery materials, coatings	Biotechnology, natural active ingredients, formulations	Active ingredients, seeds and traits, digital solutions

chlorides plant in Ludwigshafen, Germany so that we can continue to reliably support our customers' growth with these products.

### Materials

BASF's Materials segment supplies high-quality plastics precursors and develops new plastics applications, high-performance materials, systems and digital solutions. Our product portfolio is unique in the industry. We aim to **grow mainly organically** by differentiating ourselves with our application expertise and industry knowledge

and by creating maximum value in our isocyanate and polyamide value chains. Advanced material simulation capabilities are a unique selling point in the industry and enable us to meet customer requirements individually.

To provide added value to our customers and society, we are working on new circular economy solutions and more sustainable production processes that use resources as sustainably as possible. BASF is active along the value chain for important durable plastics, from monomers to polymers and their formulated specialties. With



our specific technology knowledge, we are working to **shape and close cycles** and convert plastics back into primary products for the chemical industry. This is how we help to reduce plastic waste, save fossil resources and avoid carbon emissions in plastics production. Examples include Ultramid® Cycled™, which is made from raw material based on end-of-life tires, biomass balance products and certified compostable bioplastics. With these solutions, we aim to meet growing demands in all key markets and help our customers to meet their sustainability targets.

We are continuously expanding the range of applications in our portfolio with **tailor-made services and product offerings**. Our global production network enables us to provide our solutions wherever our customers are.

## Industrial Solutions

The Industrial Solutions segment markets and develops **ingredients and additives for industrial applications**. These include fuel and lubricant solutions, ingredients for paints and coatings, electronic materials and plastic additives. We concentrate on research and development with the aim of enabling more efficient resource use and developing more sustainable products and processes, for example, in polymer dispersions, resins and plastic additives. At the same time, this also enables our customers to contribute to sustainability through their applications and processes. Other focus areas are efficient production setups, backward integration in our Production Verbund's value chains, capacity management, and technology and cost leadership.

Our global presence enables us to operate close to our customers and their industries. As a reliable partner, we offer high-quality products at attractive prices. We work on new solutions together with our customers and strive for long-term partnerships that create profitable growth opportunities for both sides. To achieve this, we draw on our innovative strength and our many years of experience and in-depth industry expertise. Through our in-depth application knowledge and technological innovations, we strengthen customer

relationships in key industries such as the automotive, electronics, plastics and coatings industries.

## Surface Technologies

In the Surface Technologies segment, the focus is on the **protection, modification and development of surfaces**. Together with our customers, we develop novel products and technologies for catalysts, coatings and battery materials. We also offer precious and base metal as well as surface treatment services. Our aim is to drive growth by leveraging our portfolio of technologies to find the best solution for our customers in terms of functionality and cost. This in turn helps our customers to drive forward innovation in their industries and contribute to sustainable development.

Key growth drivers for us are the positive medium-term development of the automotive market, especially in Asia, the trend toward **sustainable, low-emission mobility**, and the associated rise in demand for battery materials for electromobility. We are developing customized, more sustainable solutions in these growth areas for battery materials, emission control, recycling and functional coatings in close cooperation with our customers. Our specialties and system solutions in these areas enable customers to stand out from their competitors.

The automotive industry is currently undergoing a fundamental transformation. As one of the largest chemicals suppliers to this industry, we will further strengthen our focus on battery materials and recycling and pursue our ambitious growth plan. We are also establishing a new entity (BASF Environmental Catalyst and Metal Solutions) within the Catalysts division for mobile emissions catalysts, automotive catalysts recycling and associated precious metal services. The carve-out process started in January 2022. The new organizational structure prepares the business for the upcoming changes in the internal combustion engine market and allows for future strategic options.

## Nutrition & Care

In the Nutrition & Care segment, we strive to expand our position as a leading **provider for nutrition and care ingredients for consumer applications**. We will continue to develop our capabilities in areas such as biotechnology and broaden our portfolio with bio-based and biodegradable products. One example is the Verdessence™ product line launched in 2022, which offers sustainably sourced biopolymers for personal care applications. This supports our customers in meeting the ever-growing consumer demand for natural and organic cosmetics.

Our enzymes business enables us to pursue a targeted, accelerated marketing strategy and expand our portfolio for natural and biotechnological products. Furthermore, we are investing in natural and biological substances. BASF supplies excipients for human therapeutic drug formulation. Our biopharma ingredients serve a variety of markets, from bioprocessing and formulation of proteins to vaccines and antibodies.

In addition, acquisitions expand our business with new business models and sustainability trends in consumer markets. Future growth in our markets will be driven by trends like growing consumer awareness and the resulting demand for sustainable product solutions, natural and organic ingredients and their traceability. Moreover, the shift toward individualization and local production supports new players and business models. Digitalization, a focused technology and product portfolio, and close cooperation with our customers is crucial to meeting these dynamic market requirements both now and in the future.

## Agricultural Solutions

In the Agricultural Solutions segment, we are working to achieve the right balance between economic, environmental and social value creation for a sustainable and efficient agricultural sector. **Efficient farming** is fundamental given that the world's population is expected to increase by about two billion<sup>1</sup> people between 2022 and 2050. While the demand for food, feed, fiber and energy is growing, natural resources are limited. Balanced agriculture is a key enabler in producing enough healthy, affordable food and responding to changing consumer behavior while reducing the impact on the environment.

As one of the world's leading agricultural solutions companies, we are making a positive impact on sustainable agriculture and food systems. Our **innovation-driven strategy** for agriculture focuses on selected crops and their appropriate cultivation systems in specific regions. We integrate sustainability criteria into all business and portfolio decisions. In doing so, we help farmers achieve better yield, protect the planet and produce economically.

We leverage our **expertise in research and development** and our deep understanding of the way individual growers manage their farms to provide offers across technologies. These include novel solutions for seeds, traits, crop protection and digital products tailored to the farming needs of their region and crop systems.

### Good to know

We are committed to sustainable farming to help farmers not only produce more, but also better. We focus on four areas in particular:

**Climate-smart farming:** We help farmers tackle the pressing challenges of climate change with the right combination of technologies designed to increase yield even under changing climatic conditions, make farm management easier and more effective, and at the same time, reduce the impact on the environment. Our technologies include products that enable greenhouse gas emissions reductions, for example, nitrogen management products to improve fertilizer efficiency, or herbicides that facilitate conservation tillage. Moreover, we develop seeds and traits for more stress-resilient crops and are working on using bacteria to improve nitrogen availability to plants.

**Sustainable solutions:** We systematically steer our innovation pipeline according to sustainability criteria from an early stage. This enables us to continually develop innovations that offer added value for farmers, the environment and society. We also assess each product in our portfolio with respect to its contribution to sustainability. This is one of the levers we use to systematically steer our portfolio to increase our substantial contribution to sustainability.

**Digital farming:** Digitalization will transform agriculture and make it more resource-efficient and sustainable. Our digital farming solutions help farmers to produce more with less and grow their business profitably while improving their environmental footprint.

**Smart stewardship:** Our tools and services are tailored to farmers' daily work. Farmers get the support they need to use our products safely: access to tools and services, protective equipment, customized training, digital solutions and new and future-oriented application technologies such as drones.

<sup>1</sup> Source: U.N. World Population Prospects 2022

## Targets and Target Achievement 2022

**For us, business success tomorrow means creating value for the environment, society and business. That is why we pursue ambitious targets along our entire value chain. We report transparently on target achievement so that our stakeholders can track our progress.**

Our objective is profitable growth: We want to grow sales volumes faster than global chemical production, further increase our profitability, achieve a return on capital employed (ROCE) considerably above the cost of capital percentage and increase the dividend per share every year based on a strong free cash flow.

In addition to these financial targets, we have set ourselves broad sustainability targets. We want to significantly reduce our CO<sub>2</sub> emissions in the coming years and align our product portfolio even more strongly with climate protection and the circular economy. To achieve this, we are updating the methodology used to assess our product portfolio against defined sustainability criteria and will apply it for the first time in 2023 (see page 45). We are also working to strengthen sustainability in our supply chains and use resources

responsibly. We want to further improve safety in production. Furthermore, we aim to promote diversity within the company and create a working environment in which our employees feel that they can thrive and perform at their best.

The objective of these targets is to steer our business into a more sustainable future, and at the same time, contribute to the United Nations' Sustainable Development Goals (SDGs). We are focusing here on issues that we as a company can influence – especially SDG 2 (Zero hunger), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). ]

[For more information on financial indicators, see page 52 onward](#)

[For more information on sustainability along the value chain, see page 100 onward](#)

### Good to know

### Most important KPIs

BASF has set itself ambitious targets along the value chain. Two of these indicators are particularly important:

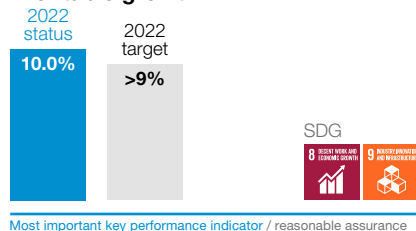
- Return on capital employed (ROCE)
- Absolute CO<sub>2</sub> emissions

As our most important key performance indicators (KPIs), these two metrics are the main indicators used to steer the BASF Group. We also use ROCE for employee incentivization throughout the Group. The achievement of climate protection targets also influences the compensation of members of the Board of Executive Directors and senior executives.

[For more information on the steering concept, see page 41 onward](#)

[For more information on the compensation of the Board of Executive Directors, see \[basf.com/compensationreport\]\(https://www.basf.com/compensationreport\)](#)

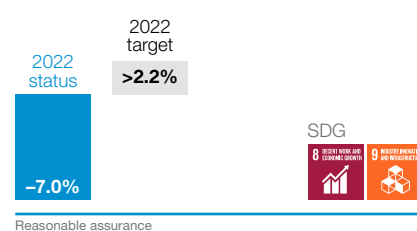
### Profitable growth



Most important key performance indicator / reasonable assurance

Achieve a **return on capital employed (ROCE)** considerably above the cost of capital percentage every year

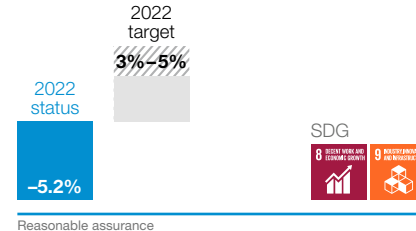
For more, see Results of Operations from page 57 onward



Reasonable assurance

Grow **sales volumes** faster than global chemical production every year

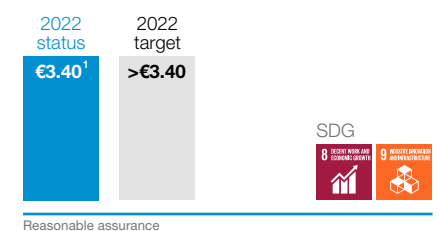
For more, see Results of Operations from page 56 onward



Reasonable assurance

Increase **EBITDA before special items** by 3% to 5% per year

For more, see Results of Operations from page 58 onward



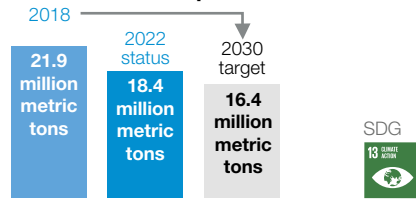
Reasonable assurance

Increase the **dividend per share** every year based on a strong free cash flow

For more, see BASF on the Capital Market on page 13

<sup>1</sup> Dividend proposed by the Board of Executive Directors

### Effective climate protection

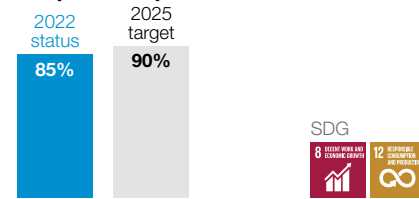


Most important key performance indicator / reasonable assurance

Reduce our absolute **CO<sub>2</sub> emissions<sup>1</sup>** by 25% by 2030 (baseline: 2018)

For more, see Energy and Climate Protection from page 135 onward

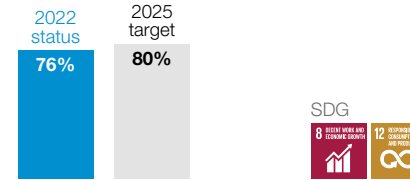
### Responsible procurement



Limited assurance

Cover 90% of our relevant spend with **sustainability evaluations** by 2025

For more, see Supplier Management from page 114 onward

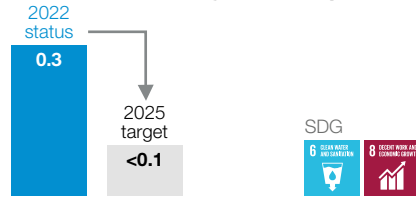


Limited assurance

Have 80% of our suppliers improve their **sustainability performance** upon re-evaluation

For more, see Supplier Management from page 114 onward

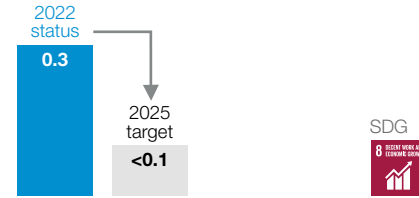
### Resource efficiency and safe production



Limited assurance

Reduce worldwide **process safety incidents** per 200,000 working hours to  $\leq 0.1$  by 2025<sup>2</sup>

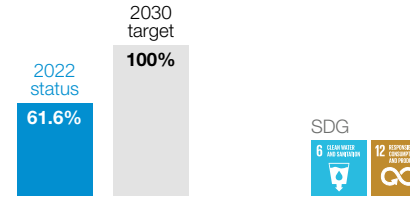
For more, see Process Safety from page 126 onward



Limited assurance

Reduce the worldwide **lost-time injury rate** per 200,000 working hours to  $\leq 0.1$  by 2025<sup>2</sup>

For more, see Occupational Safety on page 126

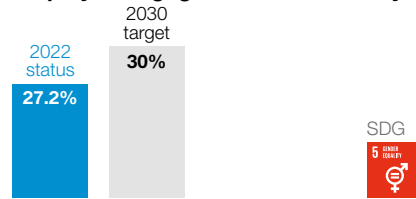


Limited assurance

Introduce **sustainable water management** at our production sites in water stress areas and at our Verbund sites by 2030

For more, see Water from page 144 onward

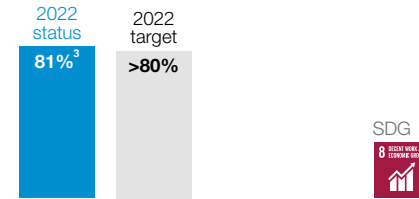
### Employee engagement and diversity



Limited assurance

Increase the proportion of **women in leadership positions** with disciplinary responsibility to 30% by 2030

For more, see Employees from page 107 onward



Limited assurance

More than 80% of our **employees** feel that at BASF, they can thrive and perform at their best

For more, see Employees from page 102 onward

↘ Reduction target

<sup>1</sup> Scope 1 and Scope 2 (excluding the sale of energy to third parties, including offsetting). The target includes greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e). The baseline year is 2018.  
<sup>2</sup> We will update the safety targets and report according to a new system in 2023.  
<sup>3</sup> We regularly calculate the employee engagement level. The most recent survey was conducted in 2022.

## Material Investments and Portfolio Measures

Investments are an essential building block for driving our growth and at the same time, achieving our climate targets. That is why we make targeted investments in modern and more sustainable technologies and processes. Our major growth projects help us to reach this goal. We are continuously optimizing our portfolio through targeted acquisitions and divestitures.

### At a glance

**€4.1 billion**  
Capex<sup>1</sup> in 2022

**€28.8 billion**  
Capex planned for 2023 to 2027

By investing in our plants, we create the conditions for the profitable growth we strive for and continuously improve the efficiency of existing production processes. Investments in new technologies and in the transformation of our energy supply will help to achieve our growth targets and our ambitious climate targets. For the period from 2023 to 2027, we are planning capital expenditures (capex)<sup>1</sup> totaling €28.8 billion, including €13.6 billion for our major growth projects.<sup>2</sup>

[📄](#) For more information on our investments from 2023 onward, see page 156

### Investments and acquisitions 2022

Million €	Investments	Acquisitions	Total
Intangible assets	125	–	125
of which goodwill	–	–	–
Property, plant and equipment <sup>a</sup>	4,842	–	4,842
<b>Total</b>	<b>4,967</b>	<b>–</b>	<b>4,967</b>

<sup>a</sup> Including restoration obligations, IT investments and right-of-use assets arising from leases

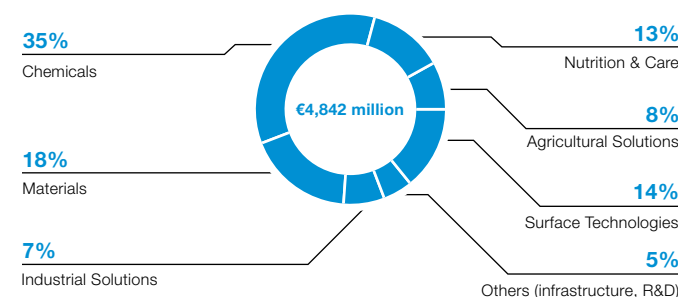
We continued to drive forward our major growth projects in 2022 and further expanded our position in our three key regions: Europe, Asia Pacific and North America. The Asia Pacific region and China in particular, which is expected to expand its share of the global chemical market to well over 50% by 2030, will continue to play a key role here. To serve the increasing needs of various growth industries in this region, we are continuously expanding our market position in China, for example, with the construction of our new smart Verbund site in Zhanjiang in the southern Chinese province of Guangdong (see pages 38 and 39). In North America, we further expanded our production capacities in the isocyanates value chain in 2022, for example (see page 38). We also continued to invest in Europe, especially in our battery materials business in Schwarzheide, Germany, and Harjavalta, Finland (see page 39).

In addition, we are refining our portfolio through acquisitions that promise above-average profitable growth and help to expand our market position in a targeted manner. A key consideration is that these are innovation-driven, offer a technological differentiation, or make new, sustainable business models possible.

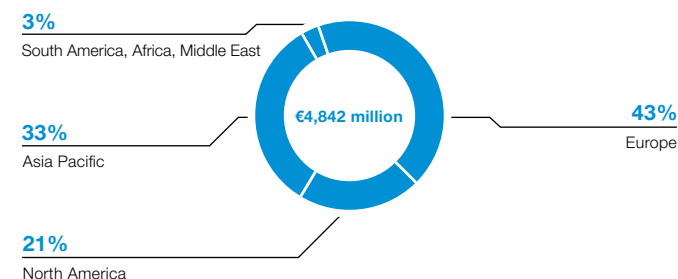
### Investments in the segments and regions

Investments in property, plant and equipment amounted to €4,842 million in 2022 (2021: €4,078 million). Capex accounted for €4,148 million of this amount (2021: €3,363 million). Our investments in 2022 focused on the Chemicals, Materials, Surface Technologies and Nutrition & Care segments.

### Additions to property, plant and equipment<sup>a</sup> by segment in 2022



### Additions to property, plant and equipment<sup>a</sup> by region in 2022



<sup>a</sup> Including restoration obligations, IT investments and right-of-use assets arising from leases

<sup>1</sup> Additions to property, plant and equipment excluding acquisitions, restoration obligations, IT investments and right-of-use assets arising from leases

<sup>2</sup> Major growth projects are the construction of our future Verbund site in Zhanjiang, China, as well as our battery materials activities.

## Chemicals

Strategically, our investments concentrate on the growth markets like China to support the growth of our local customers. In 2022, we moved forward with the further expansion of the site in Nanjing, China, together with our partner Sinopec to strengthen the joint production of chemical products in China. For instance, we are currently expanding our production capacities for propionic aldehyde, propionic acid, purified ethylene oxide, ethanolamines and ethyleneamines, and are building a new tert-butyl acrylate plant. The new and expanded plants are scheduled to come onstream in 2023.

We are building another Verbund site in Zhanjiang in the southern Chinese province of Guangdong. In July 2022, BASF granted final approval for construction. The site will be constructed in several phases. A steam cracker and several downstream plants for the production of petrochemicals and intermediates, among other products, are currently being built. As part of the Verbund, these plants should be operational from late 2025.

We are expanding the 2-ethylhexanoic acid plant in Kuantan, Malaysia, with our partner PETRONAS Chemicals Group Berhad. Startup is planned for 2024.

At our Verbund site in Antwerp, Belgium, we are significantly expanding our ethylene oxide plant. The project also includes several downstream plants, for example, to produce alkylethanolamines and surfactants. The expanded ethylene oxide capacities are scheduled to come onstream in 2023.

## Materials

In the Materials segment, the expansion of the methylene diphenyl diisocyanate (MDI) plant in Geismar, Louisiana, continued as planned. The final expansion will increase production capacity to approximately 600,000 metric tons per year to support the growth

### Overview of material investments

Segment	Location	Project	Start-up
Chemicals	Antwerp, Belgium	Capacity expansion at ethylene oxide plant	2023
		Construction of a new alkylethanolamines plant	2024
	Kuantan, Malaysia	Capacity expansion at 2-ethylhexanoic acid plant <sup>a</sup>	2024
	Ludwigshafen, Germany	Modernization of chloroformates and acid chlorides plant	2025
	Nanjing, China	Capacity expansion at plants for propionic aldehyde, propionic acid, purified ethylene oxide, ethanolamines and ethyleneamines, and construction of a new tert-butyl acrylate plant <sup>b</sup>	2023
Materials	Zhanjiang, China <sup>c</sup>	Construction of a new steam cracker and plants for ethylene oxide, monoethylene glycol, polyethylene, oxo-C4 alcohols, acrylic monomers and neopentyl glycol	2025
	Chalampé, France	Construction of a world-scale production plant for HMD	2024
	Geismar, Louisiana	Capacity expansion at MDI plants	2026
	Zhanjiang, China <sup>c</sup>	Construction of an engineering plastics plant	2022
		Construction of a new thermoplastic polyurethane plant	2023
Industrial Solutions	Huizhou, China	Capacity expansion at acrylics dispersions plant	2024
	Jiaxing, China	Capacity expansion at sulfuric acid plant	2023
	Jinshan, China	Capacity expansion for synthetic esters	2022
	Jurong, Singapore	Capacity expansion for antioxidants (Irganox <sup>®</sup> )	2022
	Lampertheim, Germany and Pontecchio Marconi, Italy	Capacity expansion for hindered amine light stabilizers (HALS)	2023
Surface Technologies	Chennai, India	Capacity expansion at mobile emissions catalysts plant	2022
	Harjavalta, Finland	Construction of a precursor plant for cathode active materials	2023
	Pinghu, China	Construction of a new recycling facility for precious metals	2023
	Schwarzheide, Germany	Construction of a cathode active materials plant	2023
Nutrition & Care		Construction of a battery recycling prototype plant	2023
	Antwerp, Belgium	Capacity expansion for alkoxylates	2023
	Düsseldorf, Germany	Gradual upgrade of production plants in accordance with the Good Manufacturing Practice Standard issued by the European Federation for Cosmetic Ingredients (EFFCI)	2023
	Jinshan, China	New production line for UV filters	2023
	Ludwigshafen, Germany	Capacity expansion at methane sulfonic acid plant	2022
Agricultural Solutions		Capacity expansion at vitamin A plant	2023
	Beaumont, Texas and Hannibal, Missouri	Modernization of site infrastructure	2022
	Europe <sup>d</sup>	Traceability of agrochemicals based on digital identification	2024
	Schwarzheide, Germany	Reduction of organic waste	2023
	Singapore	New formulation hub for crop protection products	2022

<sup>a</sup> Operated by a fully consolidated joint venture with PETRONAS Chemicals Group Berhad

<sup>b</sup> Operated by a joint venture with Sinopec

<sup>c</sup> The Verbund site will be built and commissioned in several phases.

<sup>d</sup> This project will be implemented in Genay and Graveline, France, in Ludwigshafen, Germany, and in Tarragona, Spain.

of BASF's North American MDI customers. Including the first and second phases, the investment volume totals around \$1 billion.

The first plant at the smart Verbund site in Zhanjiang, China, started up in August 2022. It has a capacity of 60,000 metric tons of engineering plastics compounds per year, bringing BASF's total capacity of engineering plastics in Asia Pacific to 420,000 metric tons. The new plant enables BASF to meet the growing demand from its customers, particularly in the automotive and electronics industries. The next startup in Zhanjiang is planned for 2023: a plant for the production of thermoplastic polyurethanes (TPU).

In Europe, BASF is investing in a new world-scale production plant for hexamethylenediamine (HMD) at the Chalampé site in France. The new plant, which is scheduled to start operations in 2024, will increase BASF's annual HMD production capacity to 260,000 metric tons.

### Industrial Solutions

At the Jurong site in Singapore, we expanded global production capacity for the antioxidant Irganox® 1010. With the completion of the project in 2022, BASF can now better serve the growing demand from customers in Asia and the Middle East. In addition, BASF is investing in production capacity for hindered amine light stabilizers (HALS) at its sites in Lampertheim, Germany, and Pontecchio Marconi, Italy. As part of a multi-step investment plan, BASF aims to serve the growing demand for light stabilizers used in durable plastics applications and increase supply security for customers worldwide.

To ensure the supply of high-quality dispersions solutions for the South Asian market, we are expanding our dispersions capacities in Huizhou, China, with an additional production line. Startup is expected in the first half of 2024.

### Surface Technologies

We aim to expand our position as a leading and innovative provider of battery materials and recycling solutions and expect to benefit from the strong growth in this market segment. A global, customer-focused production network for battery materials is crucial here. Construction of our production plant for cathode materials in Schwarzheide, Germany, continued in 2022. It is scheduled to start commercial production in 2023. We are working on the integration of our production site in Harjavalta, Finland, which will supply precursors for cathode active materials. The two plants will initially produce cathode active materials for around 20 gigawatt hours of cell capacity per year. With these investments in Finland and Germany, BASF aims to become the first cathode active materials supplier with local production capacities in all of what are currently the main markets: China, Japan, North America and Europe.

In addition, the construction of our new battery recycling prototype plant in Schwarzheide continued on schedule in 2022. Startup is planned for 2023. The prototype plant will allow for the development of operating procedures and optimization of technology to deliver superior returns of lithium, nickel, cobalt and manganese from end-of-life lithium-ion batteries and unused process materials.

### Nutrition & Care

The expansion of the vitamin A acetate plant in Ludwigshafen, Germany, was completed in 2021. BASF is now strengthening its market position for vitamin A for the animal nutrition industry with the expansion of its world-scale formulation capacities at its Verbund site in Ludwigshafen, which began in 2021. Startup is planned for mid-2023. We also invested in the expansion of alkoxyate capacities at the Verbund site in Antwerp, Belgium.

In the second quarter of 2022, BASF started up the new methane sulfonic acid plant at its Verbund site in Ludwigshafen. This increases BASF's methane sulfonic acid capacities from 30,000 to

50,000 metric tons per year in response to growing cross-industry demand, strengthening its position as a leading global producer.

### Agricultural Solutions

The investment in a formulation hub for crop protection products in Singapore, which started up in 2022, ensures that multiple formulation technologies are produced close to farmers in Asia Pacific. In North America, we continued to modernize site infrastructure and completed this on schedule. We are also investing in the traceability of agrochemicals based on digital identification in Europe. Further investments are being made to reduce CO<sub>2</sub> emissions and organic waste in our plants. Between 2023 and 2027, we plan to invest around €1 billion in developing and expanding our plants and infrastructure, including state-of-the-art R&D facilities, and in our production and formulation capacities for active ingredients as well as for seed solutions to meet our continuing high demand for our innovative solutions in the future.

[For more information on our segments, see page 72 onward](#)

## Acquisitions


We did not make any acquisitions in the 2022 business year.

## Divestitures

On April 12, 2022, BASF completed the sale of a 51% share in HKZ Investor Holding B.V., Arnhem, Netherlands, the holding company for the investment in the Hollandse Kust Zuid (HKZ) wind farm, to Allianz Capital Partners, Luxembourg, acting as party to the contract on behalf of Allianz Insurance Companies. BASF had acquired 49.5% of HKZ from Vattenfall in the third quarter of 2021. BASF will receive most of the power produced by its originally acquired share of 49.5% of HKZ under a long-term fixed-price power purchasing agreement.

 For more information on this divestiture, see Note 3 to the Consolidated Financial Statements from page 216 onward

On September 30, 2022, BASF completed the divestiture of its kaolin minerals business to KaMin LLC./CADAM S.A., a global performance minerals company headquartered in Macon, Georgia. The divestiture comprised the production hub with sites in Daveyville, Toddville, Edgar, Gordon and related mines, reserves, and mills in Toombsboro and Sandersville in Georgia. The refinery catalysts operations located at the same site were not part of the divestiture. Until the divestiture, the kaolin minerals business was part of the Performance Chemicals division. The purchase price was €225 million.

 For more information on this divestiture, see Note 3 to the Consolidated Financial Statements from page 216 onward

On October 31, 2022, BASF closed the divestiture of its Quincy, Florida site and corresponding attapulgite business to Clariant Corporation, Louisville, Kentucky. The Quincy site produces clay-based mineral products for a wide range of industrial applications. Until its sale, the site was part of the Dispersions & Resins division and employed around 75 people. The purchase price was \$60 million.

## Agreed transactions

On July 19, 2022, BASF and ASC Investment Sarl, Luxembourg, signed an agreement on the sale of BASF's production site in De Meern, Netherlands, to ASC. The site produces nickel-based catalysts and is part of the Catalysts division. The transaction mainly covers production facilities, including the associated infrastructure and inventories, as well as the employees working at the site. The transaction is expected to close in the first quarter of 2023.

 For more information on this transaction, see Note 3 to the Consolidated Financial Statements from page 216 onward



## Our Steering Concept

**For us, creating long-term value as a company means generating earnings that consistently exceed the cost of capital employed. We encourage and support all employees in thinking and acting entrepreneurially. Both financial and nonfinancial aspects are an integral part of our value-based management. That is why we have established most important key performance indicators that cover both areas: return on capital employed (ROCE) and CO<sub>2</sub> emissions.**

Our financial targets follow a steering concept that is aligned with our values. The return on capital employed (ROCE) is used as the key target and management indicator for the BASF Group. In line with our strategic targets, we aim to achieve a ROCE considerably above the cost of capital percentage every year. With ROCE, the same data is used for our value-based management, external communication with the capital markets and variable compensation. This means we use the same yardstick for internal management, employee incentivization and our shareholders' expectations.

As part of our corporate strategy, our target is to reduce our absolute greenhouse gas emissions by 25% by 2030. We aim to achieve net zero emissions (Scope 1 and Scope 2) by 2050. Consequently, CO<sub>2</sub> emissions are defined as a steering-relevant indicator, and we report on them as the most important nonfinancial key performance indicator.

### Calculating ROCE and cost of capital

**ROCE** is calculated as the EBIT of the segments as a percentage of the average cost of capital basis.

To calculate the **EBIT of the segments**, we take the BASF Group's EBIT and deduct the EBIT of activities recognized under Other, which are not allocated to the divisions.

The **cost of capital basis** is calculated using the month-end figures and consists of the operating assets of the segments. These comprise the current and noncurrent asset items of the segments, including tangible and intangible fixed assets, integral investments accounted for using the equity method, inventories, trade accounts receivable, other receivables and other assets generated by core business activities and, where appropriate, the assets of disposal groups. The cost of capital basis also includes customer and supplier financing.

We have integrated the **cost of capital percentage** into our ROCE target as a comparative figure. This is determined using the weighted cost of capital from equity and borrowing costs (weighted average cost of capital, WACC). To calculate a pre-tax figure similar to EBIT, the cost of capital is adjusted using the projected tax rate for the BASF Group for the business year. In addition, the projected net expense of Other is already provided for by an adjustment to the cost of capital percentage. The cost of equity is ascertained using the capital asset pricing model. Borrowing costs are determined based on the financing costs of the BASF Group. The cost of capital percentage for 2023 is 9% (2022: 9%).

### Calculation of CO<sub>2</sub> emissions

We calculate the BASF Group's absolute CO<sub>2</sub> emissions on the basis of greenhouse gas emissions, which are the sum of direct emissions from production processes and the generation of steam and electricity (Scope 1), as well as indirect emissions from the purchase of energy (Scope 2). Direct emissions from the generation of energy for third parties are not considered here. Relevant emissions include other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents.

[For more information on our CO<sub>2</sub> emissions and climate protection targets, see page 135 onward](#)

### Value-based management throughout the company

The target agreement process is an important part of our value-based management. It aligns individual employee targets with BASF's targets. The most important financial indicator in the operating business is ROCE. The other units' contribution to value is also assessed according to effectiveness and efficiency on the basis of quality and cost targets. To assess this, we use metrics such as BASF's internal service score in the service units.

For the BASF Group, we use EBIT before special items and capex (capital expenditure) as key performance indicators that have a direct impact on ROCE and as such, support its management.

- **EBIT before special items** is used to steer profitability at Group and segment level. This is calculated by adjusting the EBIT reported in the Consolidated Financial Statements for special items, making it especially suitable for assessing economic development over time. **Special items** arise from the integration of acquired businesses, from restructuring measures, certain impairments, gains or losses resulting from divestitures and sales of shareholdings, and other expenses and income that arise outside of ordinary business activities.
- **Capital expenditures** (capex) are used to manage capital employed in the BASF Group. These comprise additions to property, plant and equipment excluding additions from acquisitions, IT investments, restoration obligations and right-of-use assets arising from leases. Capex is not just relevant to ROCE management but also supports our long-term goal of increasing our dividend each year based on a strong free cash flow.

Furthermore, we comment on and forecast **sales** at Group and segment level in our financial reporting as a significant driver for EBIT before special items and thus ROCE.

 For more information on the development of these indicators, see page 56 onward



More and more electric vehicles are being registered worldwide. At the same time, the raw materials for their batteries are limited. That is why BASF teams are working on innovative processes to recycle lithium-ion batteries. This produces a substance known as "black mass" (see photo), from which high-purity lithium salt as well as nickel, cobalt and manganese can be recovered.

Material topics in focus:

## Circular Economy and Resource Efficiency

GRI 3, 301, 304, 306

**As the world's population grows, so does demand for limited natural resources. At the same time, many valuable materials end up in landfills or in waste incineration. New concepts are needed to decouple growth from resource consumption. Reduce, reuse and recycle are the keywords of this transition to a system of more sustainable product cycles with less resource consumption and lower carbon emissions.**

The concept of conserving resources, recycling and feeding waste back into the system has been firmly anchored in our company since BASF was founded in 1865: At that time, Friedrich Engelhorn pursued the idea of producing synthetic dyes from coal tar – a waste product – and organizing production as efficiently as possible. We have stayed true to this tradition to this day and are aligning our actions with circularity more systematically than ever. For example, BASF's Verbund structure presents numerous opportunities for a circular economy: By intelligently networking our plants, we can use by-products from one plant elsewhere as feedstocks or energy, which reduces our overall resource consumption (see pages 135 and 142).

We want to further reduce our resource and carbon footprint, which is why we are aligning our feedstock base even more strongly with non-fossil alternatives such as bio-based or renewable raw materials. To expand our supply base, we are also developing additional waste-based sources of raw materials and suitable recycling processes, often with partners (see page 120). Our target here is to process 250,000 metric tons of recycled and waste-based raw materials – such as pyrolysis oil from mixed plastic waste or used tires – in our production plants annually from 2025.

Many of BASF's products and technologies are already helping to close loops at many points along the value chain. Together with our customers and other stakeholders, we want to further accelerate the transformation from linear to circular business models. Our

target: By 2030, we want to double our sales of solutions for the circular economy to €17 billion (baseline: 2020). These include:

- **Products based on renewable or recycled raw materials:** These include products manufactured in whole or in part from renewable resources instead of fossil raw materials. The alternative raw materials are allocated to the end product using what is known as the mass balance approach. This is verified and certified by independent third parties (see box on page 121). We use this approach for selected ingredients for the cosmetics, detergent, cleaner and food industries, for example (see page 118). Other examples are products that contain mechanically recycled raw materials (Mcyclcd) or products based on chemically recycled pyrolysis oil (Ccyclcd products, see page 120).
- **Products that close material cycles ("close the loop"):** These include products that enable and improve the recyclability of valuable resources. Our first focus area here is the value chain for plastics (see page 51). Examples include our certified compostable plastics ecoflex® and ecovio®, plastic additives for improved mechanical recycling, or catalysts and adsorbents for the purification and treatment of recycled raw materials. The second focus is recycling mineral raw materials. For example, together with partners we are driving forward innovative technologies and solutions for recovering metals such as lithium, nickel, cobalt and manganese from spent lithium-ion batteries (see page 120).

- **Products that increase the resource efficiency or lifespan of materials (“extend the loop”):** These include products that reduce resource consumption and environmental impact along the value chain. One example is Oxsilan®, an innovative thin-film technology for protecting metals from corrosion, for example before painting. The process not only enables higher productivity with lower material use, but also offers a favorable safety, health and environmental profile compared with conventional phosphating processes. This category also includes products that extend service life and/or reduce maintenance intervals. Tinuvin® light stabilizers are one example of this. They extend the lifespan of products such as agricultural films by providing reliable protection against UV radiation, heat and agrochemicals.

One of the steps we have taken to meet our targets and accelerate the transformation is establishing a company-wide Circular Economy Program. As part of this program, BASF teams are currently developing new approaches within three main action areas and over 45 initiatives: alternative raw materials pathways, innovative material cycles and new business models for the circular economy – which also include digital and service-based concepts. We also cooperate with partners along the value chain and are involved in numerous networks, such as the Ellen MacArthur Foundation, the World Business Council for Sustainable Development, the Global Battery Alliance and the Alliance to End Plastic Waste. Through this, we want to better understand needs, trends and growth opportunities, and contribute to the development of standards. One example is the mass balance concept, which we believe is key to the circular economy and the use of alternative raw materials in the chemical industry (see page 121). ]

### Good to know



### ⓘ Rethinking electromobility: the oli concept car ⓘ

The oli [all-è] co-creation project from Citroën and BASF shows how electric vehicles can save weight and conserve resources through elimination, reduction and the use of innovative materials. Teams from both companies worked together to put various components and materials into new contexts for the concept car, which was unveiled in September 2022. Many of the components are designed and manufactured from materials from the same chemical product family. This makes them easier to recycle at the end of their useful life.

For example, the complete backrest is made of Ultrasint®, a flexible 3D-printed plastic material from BASF. The open lattice structure also provides natural air flow, replacing all ventilators in the seat. Engineering plastics from BASF replace conventional materials such as metal in many other parts of the vehicle interior and exterior, which significantly reduces weight while opening up a wide range of design options. The accelerator and brake pedals are made of Ultramid®, for example. The center console is made of Elastollan®. BASF also offers both materials based on renewable

and recycled raw materials. The hood, roof, and trunk are made of panels combining the Elastoflex® polyurethane system and the Elastocoat® spray paint system. The panels are lightweight and extremely stable thanks to a honeycomb sandwich structure.

The car body was coated using R-M® AGILIS®, a water-based coating with a very low content of volatile organic compounds (VOCs). BASF CathoGuard® 800 protects the battery housing from corrosion. The electrocoating enables resource-efficient processes and stands out for its eco-friendliness: It is tin/HAPs-free with low solvent content.

Capping the top speed at 110 km/h (68 mph) and limiting acceleration significantly improves oli's range and battery lifespan.

🔗 Discover the oli concept car at [concept-car-citroen.basf.com](https://concept-car-citroen.basf.com)

## Our Sustainability Concept

GRI 2, 3, 203, 304, 413, 415, 416

**We implement our corporate purpose – We create chemistry for a sustainable future – by systematically incorporating sustainability into our strategy, our business, and our assessment, steering and compensation systems. We secure our long-term success with products, solutions and technologies that create value added for the environment, society and the economy.**

### Our strategic approach

#### At a glance

- Sustainability aspects integrated into corporate steering
- Targets for climate protection, circular economy, procurement, safety and employees
- Strategic guidelines on stakeholder management and our societal engagement
- Chief Human Rights Officer appointed to further embed human rights aspects in decision-making processes

Sustainability is at the core of what we do and a driver for growth and value. Analyzing our contributions to sustainability also enables us to manage risks effectively. We pursue a holistic sustainability approach that covers the entire value chain – from our suppliers and our own activities to our customers. We have formulated commitments for our conduct along the value chain and underpinned these with corresponding targets and measures (see page 36).

Based on our corporate strategy, we steer the global **sustainability target** for climate protection via the most important key performance indicator (KPI) “absolute CO<sub>2</sub> emissions”<sup>1</sup> (see page 35). To this end, we have established the necessary steering mechanisms and control systems at Group level, for example, by intensifying training and providing further support for decentralized implementation. Our

activities to reduce greenhouse gas emissions include using renewable energies for both electricity and steam production, developing and applying new low-carbon production processes, using renewable raw materials, and ongoing measures to further increase energy and resource efficiency in our production (see page 135). We have also set up a project organization to achieve our climate protection targets. The Net Zero Accelerator unit concentrates on implementing and accelerating projects on low-carbon production technologies, the circular economy and renewable energies.

In addition to this climate protection target, we have set further sustainability targets, for example, on responsible procurement, resource-efficient and safe production, engaged employees and diversity.

We want to offer our customers innovative products and solutions that support their sustainability goals. That is why we ensure that the business units continuously monitor and evaluate relevant sustainability aspects. These evaluations are taken into account in strategies, in the implementation of research projects and in innovation processes, among other things.

A significant steering tool for the product portfolio, based on the sustainability performance of our products, is the **Sustainable Solution Steering** method. This rates our products' applications in the relevant markets and customer industries. If, during reassessment of our portfolio, we identify products with significant sustainability

concerns, we classify these as “challenged.” We develop and systematically implement action plans for all products in this category. These include research projects and reformulations to optimize products, or even replacing the product with an alternative. To rigorously align our portfolio with contributions to sustainability, in 2018 we started phasing out all Challenged products within five years of their initial classification as “challenged” at the latest. A particular focus in the continued development of our product portfolio is on products that make a substantial sustainability contribution in the value chain. These include products that make positive contributions to areas such as health and safety, reducing emissions and the circular economy.

Our target of generating €22 billion in Accelerator sales by 2025, which was based on our corporate strategy, was already achieved in 2021 with sales of €24.1 billion. In order to address the growing sustainability requirements in our markets with innovative solutions, we want to align our product portfolio even more strongly with climate protection, climate neutrality and the circular economy going forward. That is why we are updating our methodology and our product portfolio steering target and will introduce a revised method in 2023.

As a co-founder of the U.N. Global Compact, we contribute to the implementation of the United Nations' (U.N.) Agenda 2030. Our products, solutions and technologies help to achieve the U.N. **Sustainable Development Goals (SDGs)**, especially SDG 2 (Zero

<sup>1</sup> The target includes Scope 1 and Scope 2 emissions. Other greenhouse gases are converted into CO<sub>2</sub> equivalents in accordance with the Greenhouse Gas Protocol.

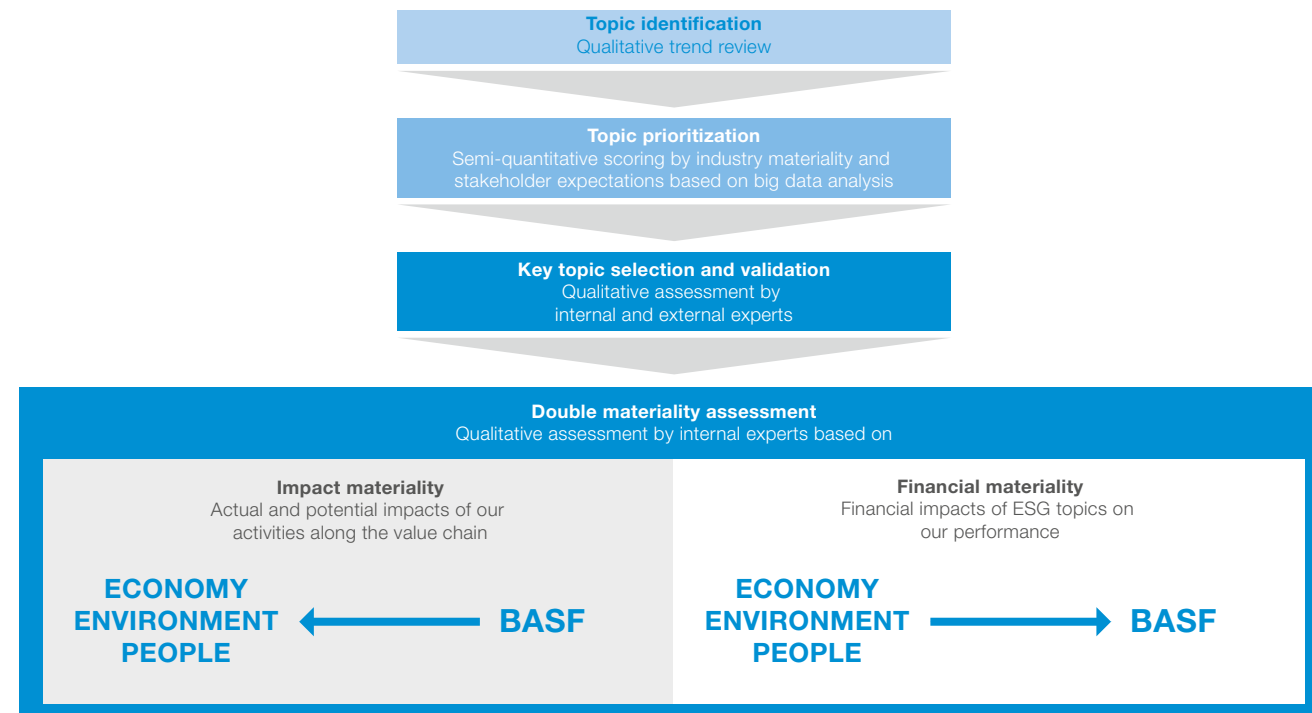
hunger), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). To prioritize the SDGs relevant to BASF, in 2022 internal experts again assessed the impacts and positive contributions of our products, our corporate targets and strategic action areas.

In 2022, we carried out an improved **materiality analysis** that already focuses on the double materiality required by future regulations. This identified both sustainability topics on which we have a potentially positive or negative impact through our business activities along the value chain, and those topics that have or could have a positive or negative impact on the company's performance. The graphic on this page illustrates our approach and the dimensions of double materiality.

In the first step, external developments and data were evaluated in order to prioritize topics. These included competitor and customer activities, relevant standards and regulations, and other trends relating to sustainability. The 48 topics identified in this step were then evaluated based on their importance for the chemical industry and the requirements and expectations of our stakeholders (such as customers, suppliers, competitors, investors and NGOs) using big data tools and further prioritized as the next step.

The core topics identified were then assessed in terms of their double materiality for BASF. Each sustainability aspect was considered from two perspectives: To assess sustainability relevance ("impact materiality"), both the actual and the potential positive and negative impacts of our company's activities were considered along three stages of the value chain (upstream, own operations, downstream). Here, we assessed the scale of impact, its scope and likelihood of occurrence. The individual topics were classified based on their potential financial impacts on BASF as part of the financial materiality analysis. Specifically, we analyzed how each sustainability aspect affects us geographically, for example, whether a local business unit or entire regions are affected, whether it impacts our production, our employees, meeting the targets we have set for the

**Identifying and assessing sustainability topics<sup>a</sup>**



<sup>a</sup> Material within the meaning of section 289c HGB or relevant within the meaning of the Global Reporting Initiative

BASF Group, or our reputation. The results help us to better understand the complex and sometimes diverging requirements and expectations that our stakeholders have of us and to define strategically relevant topics for our long-term business success.

A sustainability aspect is considered material in the sense of double materiality if it has been classified as material both at the level of sustainability relevance and at the level of financial relevance. Under the Global Reporting Initiative, a sustainability aspect is additionally already considered material if it has only been classified as material at the level of sustainability relevance. On this basis, the following 12 topics were identified as material and confirmed by the Corporate Sustainability Board: waste, climate change adaptation, biodiversity,

business ethics, occupational health & safety, climate change mitigation, circularity and resource efficiency, plastic waste, human rights and labor rights, product stewardship, diversity, inclusion & equal work, and water & wastewater.

For more information on our materiality analysis, see [basf.com/materiality](https://basf.com/materiality)

## Our organizational and management structures

We are constantly working to broaden our contributions to key sustainability topics and to reduce the negative impact of our business activities. Together with decentrally organized specialists, the Corporate Strategy & Sustainability unit in the Corporate Center is responsible for **integrating sustainability** into core business activities and decision-making processes. The unit is also responsible for the global steering of climate-related matters. Since January 2022, the **Net Zero Accelerator** unit has been driving forward new and existing projects, focusing on further acceleration and implementation to achieve CO<sub>2</sub> reduction targets worldwide. Both units report to the Chairman of the Board of Executive Directors.

The Board of Executive Directors and the Supervisory Board are regularly briefed on the development of individual sustainability topics. The Board of Executive Directors incorporates the results and recommendations from sustainability evaluations of business processes into its decisions, for example, on proposed investments and acquisitions. It makes decisions with strategic relevance for the Group and monitors the implementation of strategic plans and target achievement. The global climate protection target is linked to the compensation of the entire Board of Executive Directors and senior executives via the most important KPI “absolute CO<sub>2</sub> emissions.” The Corporate Sustainability Board, which is composed of heads of business and Corporate Center units and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. It is chaired by Board of Executive Directors member Saori Dubourg.

In 2022, BASF appointed a **Chief Human Rights Officer** to further embed human rights aspects in decision-making processes. He reports directly to the Chairman of the Board of Executive Directors (see page 109).

We **systematically evaluate sustainability criteria**, including the effects of climate change, as an integral part of decisions on acquisitions and investments in property, plant and equipment or financial assets. In this way, we not only assess economic dimensions, but also the potential impacts on areas such as the environment, human rights or the local community. We evaluate both the potential impacts of our activities here as well as which effects we are exposed to.

If we identify potential negative impacts or previously untapped opportunities to make a greater contribution, for example in planned investments, these are presented transparently in the internal decision-making process and possible mitigation measures, such as changes in water management, are proposed.

In our Sustainable Finance Roundtable, we discuss topics relating to sustainable finance. Here, experts from departments such as Finance, Corporate Strategy, and Investor Relations and Communications discuss new legal or capital market-driven requirements. The interdisciplinary group analyzes the steadily growing requirements, assesses the impacts on BASF and drives forward the necessary change processes as well as the concrete implementation of measures.

 For more information on our financial and sustainability targets, see pages [35](#) and [36](#)

For more information on our risk management, see pages [157](#) to [167](#)

 For more information on the organization of our sustainability management, see [basf.com/sustainabilitymanagement](https://basf.com/sustainabilitymanagement)

For more information on compensation structures, see the compensation report at [basf.com/compensationreport](https://basf.com/compensationreport)

## Measuring sustainable value added

We are aware that our business activities can have both positive and negative impacts on the environment and society. We aim to increase our positive contributions and minimize the negative impacts of our business activities. To achieve this, we need to measure how our actions and our products impact the environment and society.

We already have many years of experience in this area from evaluating our products and processes using methods such as Eco-Efficiency Analyses, the SEEbalance® Socio-Eco-Efficiency Analysis, our Sustainable Solution Steering portfolio analysis, BASF's corporate carbon footprint or the calculation of Product Carbon Footprints.

## Our stakeholder management

Our stakeholders include customers, employees, investors, suppliers, the communities surrounding our sites, and representatives from industry, academia, politics and society. Parts of our business activities, such as the use of certain new technologies or our environmental impacts, are often viewed by stakeholders with a critical eye. We take these questions seriously, initiate dialogs and participate in discussions. We are in **ongoing exchange** with our stakeholders through a variety of formats. This helps us to even better understand what matters to groups of society, what they expect of us and which measures we can pursue in order to establish and maintain trust, build partnerships, and increase societal acceptance for and the sustainability of our business activities. For important topics, we systematically identify key stakeholders at an early stage to discuss critical questions with them. Relevant considerations here include their topic-specific expertise and willingness to engage in constructive dialog.

We already established an external, independent Stakeholder Advisory Council (SAC) in 2013 and the Human Rights Advisory Council (HRAC) in 2020. In the SAC, which is led by the Chairman of the Board of Executive Directors, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors. Focus topics in 2022 were climate protection and the energy transformation, as well as the significance and aspects of the societal dimension of sustainable development. The HRAC is an advisory body comprising external human rights specialists and internal experts. It helps us critically reflect on our positions and address potential for improvement.

We have a particular responsibility toward our sites' neighbors. We promote open exchange between residents and our site management and strengthen trust in our activities with established **community advisory panels**. Our globally binding requirements for community advisory panels are based on the grievance mechanism standards in the United Nations' Guiding Principles on Business and Human Rights. We keep track of their implementation through the existing global database of the Responsible Care Management System.

Our **political advocacy** is conducted in accordance with transparent guidelines and our publicly stated positions. The same applies to our activities in associations. Our Industry Associations Review compares the energy and climate protection positions of BASF and the most important associations of which we are a member, with explanations on our approach.

BASF does not financially support political parties, for example, through donations in cash or in kind. This is codified in a global guideline. In the United States, employees at BASF Corporation have exercised their right to establish a Political Action Committee (PAC). The BASF Corporation Employee PAC is an independent,

**Stakeholder demands and expectations of BASF**



**Customers**

- Innovative and sustainable solutions
- Reliable partner
- Attractive prices



**Investors**

- Attractive dividend yield
- Transparency and risk minimization
- Strong long-term share performance



**Society: politics, NGOs, media**

- Responsible and trustworthy partner
- Production of safe products in compliance with environmental and social standards
- Jobs and taxes



**Suppliers**

- Fair and reliable business relationships
- Support in complying with our Supplier Code of Conduct (environmental and social requirements)



**Community**

- Safe, disruption-free operations
- Attractive jobs
- Support for local communities



**Employees and management**

- Attractive and fair employer
- Health protection
- Opportunities for professional development

federally registered employee association founded in 1998. It collects donations from employees for political purposes and independently decides how these are used, in accordance with U.S. law.

For more information on dialog with stakeholder groups, see page 113

For more information on our guidelines for responsible lobbying, see [basf.com/guidelines\\_political\\_communication](https://basf.com/guidelines_political_communication)

For more information on the Industry Associations Review, see [basf.com/corporategovernance](https://basf.com/corporategovernance)

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

For more information on the Stakeholder Advisory Council, see [basf.com/en/stakeholder-advisory-council](https://basf.com/en/stakeholder-advisory-council)

For more information on our stakeholder activities, see [basf.com/stakeholder-engagement](https://basf.com/stakeholder-engagement)

**Our societal engagement approach**

Our societal engagement is an important part of the implementation of our sustainability strategy and our corporate social responsibility. Our activities are bundled in three action areas globally across all levels of the BASF Group. We want to improve people's quality of life by preventing and combating disease (health), promoting educational equality, employability and economic participation (skills), and conserving natural resources (resources). We want to foster societal cohesion with our portfolio and our competencies. In accordance with our societal engagement policy, our actions are in line with our compliance policy, BASF's strategy and our sustainability commitments.

For more information on our societal engagement, see page 112



## Innovation

**Innovations based on chemistry play a pivotal role in overcoming the greatest challenges of our time. Our activities are aimed at developing new products, entering new markets and further increasing our productivity. That is why we are working together with our customers on innovative processes, technologies and products for a sustainable future.**

### At a glance

**€2.3 billion**

Research and development expenses

**~1,000**

New patents filed

- Close cooperation between research and business units
- Innovation focus on developing sustainable products and processes for our customers
- Close cooperation with universities, research institutes and companies

Innovation has always been the key to BASF's success. The knowledge and skills of our highly qualified employees is our most valuable resource here and the source of our innovative strength. We had approximately 10,000 employees involved in research and development worldwide in 2022.

Our **research and development expenses** amounted to €2,298 million in 2022 (2021: €2,216 million). Research and development activities in our operating divisions, which is mainly application and customer-related, accounted for 83% of this figure. Corporate research, in which we bundle cross-divisional and long-term topics, was responsible for 17% of these expenses.

Our **innovation focus** is on developing new products and solutions that help our customers achieve their sustainability goals. By helping them reduce their carbon footprint, use resources more efficiently, or manufacture products in a more environmentally friendly way and recycle them, we ensure our long-term competitiveness and at the

same time, play a role in decoupling growth from the consumption of limited resources.

In 2022, we generated sales of around €12 billion with products launched on the market in the past five years that stemmed from research and development activities. In the long term, we aim to further increase sales and earnings with new and improved products – especially with products that make a substantial sustainability contribution in the value chain (see page 45).

We **reorganized our global research activities in 2022** to further strengthen our innovation performance and respond to our customers' industry-specific requirements even better and more quickly. Business and application-driven units that were previously part of the research divisions were integrated into the operating divisions, aligning them even more closely with the needs of our customers. This further shortens the time to market for new products and accelerates BASF's growth.

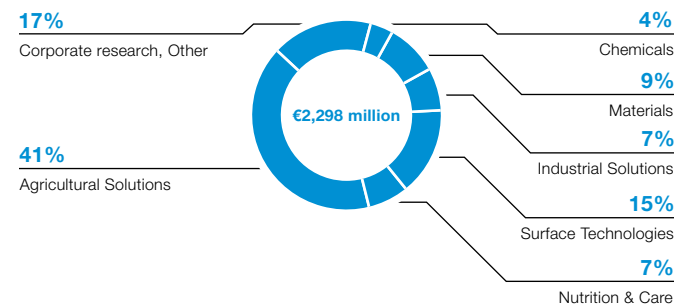
We have bundled research activities relevant to several divisions – such as chemical synthesis, process development, biotechnology, catalysis, analytics and digitalization – in a **central research division, Group Research**.

This new research division supports all operating divisions and drives forward projects that address major sustainability topics like reducing emissions from chemical processes and products, energy efficiency or recycling technologies.

The unit is globally positioned with research centers in Europe, North America and Asia Pacific. Together with the research and

development units in our operating divisions, Group Research forms the core of our global Know-How Verbund.

### Research and development expenses by segment 2022



We continue to use corporate funding to finance research of broad relevance to the BASF Group that goes beyond the industry-specific focus of the individual operating divisions. We strengthen existing research focus areas and develop new technologies that are of central significance for our business units and their customers, such as digital tools, polymer technologies, catalyst processes or biotechnological methods.

We promote creative research approaches and drive forward the development of new business areas. For example, we are developing innovative coating technologies and materials that make innovative surfaces and functions possible. Functional films can be used to reduce the frictional resistance of surfaces or improve UV protection and weather resistance, for example.

As part of our Carbon Management R&D Program, we are carrying out intensive research into pioneering, low-carbon production processes for basic chemicals such as hydrogen (see page 141). This will enable us to offer our customers products with a lower carbon footprint in the future.

## Employees in research and development

~10,000

Our **global research and development presence** – and its effectiveness – is vital to our long-term success. This enables us to respond to the needs and requirements of the regional markets in a differentiated way, establish new customer relationships and leverage growth potential. Scientific collaborations give us access to talent, strengthen our Research and Development Verbund and make BASF an even more attractive partner and employer.

The largest and most important site in our research network is Ludwigshafen in Germany. Investments there include a combined laboratory building for cleanroom and elemental analysis. The new building's modern digitalization and automation solutions set new standards in safety and efficiency. The state-of-the-art laboratory building took three years to build and was put into operation in October 2022. In addition, we will build a new Catalyst Development and Solids Processing Center in Ludwigshafen, Germany, by 2024 to bring process innovations and new chemical catalysts to market faster.

We want to continue advancing our research and development activities, especially in Asia. For instance, we completed the third expansion phase for the BASF Innovation Campus in Shanghai, China, at the end of 2022, with new laboratories for advanced materials and systems as well as for chemical engineering.

The number and quality of our **patents** also attest to our power of innovation and long-term competitiveness. In 2022, we filed 1,103 new patents worldwide, of which 39.2% were for innovations with a particular focus on sustainability. The Patent Asset Index, a method that compares patent portfolios, once again ranked us among the leading companies in the chemical industry in 2022.

For more information on innovation, see [basf.com/innovations](https://basf.com/innovations)

## Global network

Our global network of top universities, research institutes and companies forms an important part of our Know-How Verbund. It gives us direct access to external scientific expertise, talented minds from various disciplines as well as new technologies. Our academic research alliances bundle partnerships with several research groups in a region or with a specific research focus.

The Northeast Research Alliance (NORA) and the California Research Alliance (CARA) are located in the **United States**. NORA focuses on materials science and biosciences, catalysis research, digitalization and cooperation with startups.

## Academic Research Alliances

### Access to scientific expertise, talented minds and new technologies

Teams at the interdisciplinary CARA research center are working on new functional materials, formulations, digital methods, catalysis, chemical synthesis, and in engineering sciences and biosciences.

The Joint Research Network on Advanced Materials and Systems (JONAS) is active in **Europe** and concentrates on supramolecular chemistry, polymer chemistry and sustainable technologies. We are working on innovative components and materials for electrochemical energy storage with the Karlsruhe Institute of Technology (KIT) at the Battery and Electrochemistry Laboratory (BELLA). At the joint Catalysis Research Laboratory (CaRLa), BASF is researching homogeneous catalysis in cooperation with the University of Heidelberg. BasCat is a joint laboratory operated by the UniCat cluster of excellence and BASF at the Technical University of Berlin, where new heterogeneous catalysis concepts are being explored together with the Fritz Haber Institute of the Max Planck Society, also based in Berlin. The iL (Innovation Lab) in Heidelberg, Germany, focuses on functional printing, printed sensors and IoT (internet of things) applications. Our most important partner in the U.K. is Imperial College London with thematic clusters in chemical engineering (flow chemistry) and digitalization (crystallization, corrosion).

At the Network for Asian Open Research (NAO) in the **Asia Pacific** region, research focuses on polymer and colloid chemistry, catalysis, machine learning and smart manufacturing. The Academic Research Alliances are complemented by cooperative partnerships with around 220 universities and research institutes as well as collaborations with a large number of companies.

For more information on our collaboration initiatives, see [basf.com/innovate-with-us](https://basf.com/innovate-with-us)



Mixed plastic waste is very difficult or impossible to recycle mechanically. As part of the ChemCycling™ project, BASF is working with partners on innovative recycling technologies and their implementation on a commercial scale to enable these resources to be fed back into the system in the future, too.

## Material topics in focus: Plastic Waste

GRI 3

**Plastics are part of modern life. Whether in clothing or shoes, in mattresses or furniture, in smartphones or cars, in medicine or construction – they are used in almost all areas of life because of their beneficial properties. But plastics also come with challenges: Only 20% of the approximately 250 million metric tons of plastic waste generated worldwide each year is currently recycled. At BASF, we are working to increase this number.**

Plastics are an important part of our product portfolio. This includes engineering plastics, polyurethanes, biopolymers and styrene foams. Our products are mostly used in durable and demanding applications, such as automotive engineering, medical technology, electronics and electrical engineering, and building insulation.

As a responsible player in the value chain, we want to further improve the sustainability performance of plastics throughout the entire life cycle – from the production and use of renewable and recycled raw materials (see page 43) through the use phase, where innovative plastic materials ensure greater sustainability in areas such as mobility, construction or energy, to the handling of plastics at the end of their life.

For many years, we have been conducting research into soil-biodegradable and compostable plastics and their biodegradability in different environments. With *ecoflex*® and *ecovio*®, BASF has two certified bioplastics on the market that can biodegrade under the conditions in the recognized standards according to which they are certified.

At the same time, we are developing solutions for improved mechanical recycling. These include additives that extend the use phase of plastics and help address quality problems of recyclates. The use of BASF stabilizers also makes it possible to keep plastics in circulation not just for one cycle, but for several. Technical solutions from BASF, such as NIR spectroscopy or sustainable

cleaning solutions, help to separate and then process different types of plastics.

Since not all waste streams are suitable for mechanical recycling, BASF is also driving forward the chemical recycling of plastics as a complementary technology. In this process, plastics are broken down into their building blocks using various methods, which can then be used again in production as recycled feedstocks (see page 120).

We are involved in numerous initiatives to advance new ideas together with partners. For example, BASF is a founding member of the Alliance to End Plastic Waste (AEPW), which is active in four focus areas: developing infrastructure for waste collection, promoting innovative recycling methods, education and engagement of various stakeholders, and cleanup of areas heavily impacted by plastic waste. The initiative aims to invest up to \$1.5 billion by 2023. Further examples of our commitment to greater sustainability in the plastics value chain include the World Plastics Council, Operation Clean Sweep and the Ellen MacArthur Foundation.]

- For more information on plastics, see [plasticsjourney.basf.com](https://plasticsjourney.basf.com)
- For more information on the AEPW, see [endplasticwaste.org](https://endplasticwaste.org)
- For more information on the World Plastics Council, see [worldplasticscouncil.org](https://worldplasticscouncil.org)
- For more information on Operation Clean Sweep, see [opcleansweep.org](https://opcleansweep.org)
- For more information on the Ellen MacArthur Foundation, see [ellenmacarthurfoundation.org](https://ellenmacarthurfoundation.org)

# The BASF Group's Business Year

GRI 201

## Economic Environment<sup>1</sup>

**Global economic growth in 2022 was impacted by the outbreak of the war in Ukraine and rising inflation and interest rates worldwide. Increasing energy and raw materials prices made many products more expensive and dampened consumers' purchasing power. European chemical production fell sharply due to drastic increases in regional gas prices.**

 For the outlook on the economic environment in 2023, see page 151 onward

In this section:

- Economic Environment
- Results of Operations
- Net Assets
- Financial Position
- Actual Development Compared With Outlook for 2022
- Business Review by Segment
- Other
- Non-Integral Oil and Gas Business
- Regional Results
- E.U. Taxonomy

### At a glance

**+3.0%**  
Global GDP growth

**+2.2%**  
Increase in global chemical production

- Energy price shock and drop in chemical production in Europe
- High interest rates and weak economic data in the United States
- Volatile economic development in Asia
- Drastic increase in European gas prices and rising oil price

Global gross domestic product (GDP) grew by 3.0% compared with the previous year (2021: +6.1%). Global industrial production added 2.5% (2021: +6.2%), while global chemical production expanded by only 2.2% (2021: +6.1%). The average price for a barrel of Brent crude oil increased to \$101 per barrel (2021: \$71 per barrel). Gas prices in Europe averaged €124.16 per MWh (\$38.01 per mmBtu) for the year, more than double the prior-year level and more than ten times the 2020 level.

### Trends in the global economy in 2022

Global economic development in the course of 2022 was exceptionally volatile and characterized by strong regional differences. Macroeconomic developments were driven by a number of key, overlapping factors: the outbreak of the war in Ukraine, the recovery from the coronavirus pandemic in the advanced economies, China's long commitment to a zero-COVID policy and the repercussions of the strong fiscal stimuli in previous years. The spike in energy prices, especially natural gas prices in Europe and prices on the international LNG markets, significantly impacted the development of industrial activity. Overall demand was also dampened by the sharp rise in inflation rates and rising interest rates in almost all countries (with the exception of China and Japan). The upturn in inflation rates was mainly driven by higher energy prices, with bottlenecks on the labor and goods markets also playing a role. The strong U.S. dollar drove up inflation in all countries that imported goods and raw materials from the dollar area.

Despite the crises and the weak growth momentum in the course of 2022, many countries still reported comparatively high annual growth rates in their statistics.

The global economy fluctuated over the course of 2022 and saw significant regional differences. Gross domestic product in the European Union initially increased significantly, while the United States started the year with a technical recession. This reversed in the second half of the year. The European economies grew only weakly, and macroeconomic activity in the United States accelerated slightly. In the emerging markets of Asia, economic development was volatile throughout the year. This was mainly driven by gross domestic product in China: A solid start to the year was followed by a decline in the second quarter, and, after a renewed recovery in the third quarter, there were again strong braking effects toward the end of the year.

<sup>1</sup> All information relating to past years in this section can deviate from the previous year's report due to statistical revisions. Where available, calendar-adjusted macroeconomic growth rates are reported. Figures for 2022 not yet available in full are estimated.

**Gross domestic product**

Real change compared with previous year

	2022	2021
<b>World</b>	<b>3.0%</b>	<b>6.1%</b>
European Union	3.6%	5.3%
United States	2.1%	5.9%
Emerging markets of Asia excluding China <sup>1</sup>	5.5%	6.3%
China	3.0%	8.4%
Japan	1.2%	2.2%
South America	3.7%	7.7%

**Economic trends by region**

In the **European Union (E.U.)**, GDP grew by 3.6% in 2022 (2021: +5.3%). In the first half of the year, the catch-up effects of the coronavirus pandemic had a positive impact on the services sector and on traditional vacation countries. GDP rose by 3.9% and 5.5% in Italy and Spain, respectively, and by 2.7% even in France. In Germany, by contrast, GDP increased by only 1.9%. German industrial production was down slightly overall. In the energy-intensive industries, production actually declined significantly due to the drastic rise in energy prices. Due to high service imports from foreign tourism and weaker growth in demand for goods from abroad, net exports did not contribute to growth. Investment also remained weak. By contrast, private consumption grew by more than 4%. This was mainly due to catch-up effects in the services sector. However, consumer and business sentiment became increasingly clouded by rising energy prices and economic uncertainty resulting from the war in Ukraine.

The **Eastern E.U. countries** recorded comparatively strong growth of over 4% (2021: +6.1%). However, economic activity slowed considerably in the course of the year as a result of weaker export and consumer demand and double-digit inflation rates.

In the **United Kingdom**, sharp increases in the cost of living dampened private consumption. Industrial production declined in the course of the year and investment was impacted by the sharp rise in interest rates. Thanks to a dynamic recovery in the services sector, the economy nevertheless grew by 4.1% (2021: +7.6%).

Developments in **Russia** were strongly influenced by the international sanctions imposed as a result of the Russian attack on Ukraine. GDP sank by an estimated 3.1% in 2022. Negative economic effects in the wake of the trade and financial sanctions imposed by the United States and the E.U. were partly offset by rising raw materials prices and the substitution of goods imports by domestic production.

In the **United States**, GDP fell in the first two quarters of 2022 compared with the second half of 2021. Goods consumption and housing investment declined. Foreign trade also had a strong negative impact on growth in the first quarter. By contrast, services consumption made a consistently positive contribution. The U.S. economy picked up in the second half of the year, mainly due to a stronger foreign trade surplus and solid private consumption. Overall, the U.S. economy grew by 2.1% in 2022 (2021: +5.9%).

Economic developments in the **emerging markets of Asia** were mixed. In **China**, growth was repeatedly weighed down by restrictions under the government's zero-COVID strategy. A positive first quarter of 2022 was followed by a drop in GDP in the second quarter as a result of lockdowns in many Chinese cities. By contrast, the third quarter saw a dynamic recovery. In the fourth quarter, rising infection rates and the abrupt change of course in the zero-COVID policy again led to a weaker economic performance. Overall, GDP growth in China remained well below its medium-term growth path at 3.0%. The weak economy and ongoing travel restrictions in China also dampened growth in many other countries in the region, which have close trade relations with China. Nonetheless, the other emerging Asian economies achieved overall growth of 5.5%.

Recurring waves of coronavirus infections also impacted growth in **Japan** (+1.2%) and **South Korea** (+2.6%). Industrial production was also depressed by supply problems in the automotive and electronics industries and weaker foreign demand.

In **South America**, growth picked up in the first half of the year, supported by high raw materials prices and catch-up effects in private demand. Private consumption in **Brazil** was also boosted by government transfers and tax cuts ahead of the presidential elections. In **Argentina**, private consumption also continued to grow strongly despite high inflation and interest rates. However, economic activity in the region weakened significantly in the second half of the year. Overall, South America's GDP grew by 3.7% (2021: +7.7%).

**Trends in key customer industries**

Disruptions in global supply chains gradually eased in 2022. However, due to the zero-COVID policy in China and the lockdowns there in the second quarter of 2022, supply bottlenecks remained in global supply chains, for example, in the automotive and electronics industries. At the same time, demand for consumer durables in particular weakened over the course of the year. Industries such as furniture had seen frontloading effects here in recent years due to the coronavirus pandemic. In addition, declining purchasing power caused by inflation reduced demand from end consumers. In the construction sector, the continued dynamic upturn in construction costs and rising interest rates had a negative impact.

**Global industrial production** expanded by only 2.5% overall in 2022 (2021: +6.2%). At 0.9%, growth in the advanced economies was significantly weaker than in the emerging markets, which recorded growth of 3.8%. Despite the generally subdued economic environment in Asia, more than 60% of the growth in global industrial value added was generated there. Over 40% of growth came from China in 2022. Industrial growth was 3.2% in Asia as a whole and 3.8% in the emerging Asian economies. In the E.U., by contrast,

<sup>1</sup> We define the emerging markets of Asia as the ASEAN countries (Brunei, Indonesia, Malaysia, Myanmar, Cambodia, Laos, the Philippines, Singapore, Thailand, Vietnam), India, Pakistan and Bangladesh.

industrial growth was slightly lower than the global average at 2.0% (2021: +7.0%) and in North America, it was even considerably lower at 1.2% (2021: +2.1%), mainly due to the weak construction sector.

**Growth in key customer industries**

Real change compared with previous year

	2022	2021
<b>Industry total</b>	<b>2.5%</b>	<b>6.2%</b>
Transportation	5.7%	3.8%
Of which: automotive industry	6.2%	3.5%
Energy and resources	3.7%	3.6%
Construction	2.2%	2.4%
Consumer goods	3.1%	8.8%
Electronics	5.9%	12.4%
Health and nutrition	2.3%	5.9%
Agriculture	2.3%	3.5%

Global **automotive production** was still impacted by supply bottlenecks for semiconductors in 2022. Overall, however, automotive production grew by around 4.8 million in 2022 to 82 million (+6.2%) manufactured passenger cars and light commercial vehicles. All markets grew except Eastern Europe (around 700,000 fewer vehicles produced). The strongest volume growth came from Asia. The world's largest vehicle market added 3.3 million vehicles, an increase of 7.7%. Of this figure, China accounted for around 1.5 million vehicles and India for over 900,000. In China, sales were boosted by a reduction in sales tax. Almost 700,000 more vehicles (+5.7%) were produced in the E.U. and around 1.3 million more (+9.7%) in North America than in the previous year. In South America, the increase was around 200,000 vehicles (+8.5%). Around 75% of the total market growth of 4.8 million vehicles was attributable to purely battery-electric vehicles. Consequently, electric vehicles' share of all vehicles produced rose from around 6% in 2021 to around 10%.

Production in the **construction industry** was impacted by rising interest rates and construction costs. At 2.2%, overall growth was weaker than in the previous year (+2.4%). The infrastructure segment

grew significantly faster than residential construction and other building construction. In China, investment in residential construction declined, while infrastructure investment again posted considerable growth. In the E.U., by contrast, residential construction activity was still comparatively strong, although demand began to cool in the course of the year due to rising interest rates. In the United States, all construction segments declined as a result of high interest rates and restricted public budgets.

**Consumer goods** production grew by 3.1%, much slower than in the previous year (+8.8%). Demand weakened for consumer durables in particular. Production in the furniture and textile industries declined after having grown by more than 8% and around 5%, respectively, in the previous year. Production of chemicals used to manufacture care products grew at about the same rate as global GDP.

Growth in the **electronics industry** also weakened significantly (2022: 5.9%, 2021: 12.4%). In electronic components, computers and peripherals, communications electronics and consumer electronics, growth declined sharply compared with 2021. Double-digit growth rates were recorded in all segments in the previous year.

Production in the **energy and raw materials** sector increased by around 3.7% in 2022, slightly more than GDP. Weaker growth in Russia was offset by stronger production in the Middle East and the United States. Oil and gas production again saw strong growth after stagnating in 2021, while the production of other raw materials grew at a slightly slower rate than in the previous year.

Growth in **health and nutrition** was considerably weaker, declining from 5.9% to 2.3% in 2022. At 1.9%, production in the food industry grew at a slightly slower rate than the longer-term average and was significantly weaker than in the previous year, which was characterized by catch-up effects. In the pharmaceutical industry, growth fell sharply after the 2021 vaccine boom (+12.9%) but was still positive at 1.9%.

**Agricultural** production declined from 3.5% in the previous year to 2.3% in 2022. The slowdown was mainly due to the war in Ukraine and a long dry spell in some regions over the summer. As a result of the war, production in Ukraine fell by an estimated 35% and by 4.5% in Eastern Europe as a whole. Production also declined slightly in Western Europe and in the Americas. In Asia, by contrast, agricultural production grew by 3.7%.

**Trends in the chemical industry**

Global growth in the chemical industry lagged behind the industry as a whole in 2022 and at 2.2%, was significantly weaker than in the previous year (+6.1%). In the E.U., production fell considerably by 5.8% due to the sharp rise in natural gas prices. In Germany, this even dropped by around 12% as a result of shutdowns in the production of gas-intensive basic chemicals. The United Kingdom also saw a strong decrease in chemical production.

By contrast, chemical production in the United States increased by 2.3%. However, base effects due to weather-related production losses in 2021 played a major role here (2021: +1.7%). In South America, production grew by 2.6%, slightly slower than in the previous year (+3.6%).

Chemical production in Asia expanded by 4.2% overall. However, this varied widely by country. In China, the world's largest chemical market, production grew by a very volatile 6.6% overall. Production also increased significantly in India (+4.6%). By contrast, in Japan, South Korea and Taiwan, production fell by 3.0%, 7.4% and 12.9%, respectively.

Chemical production in the Middle East increased by 4.0%, slower than in 2021. Growth was stronger in Saudi Arabia and the United Arab Emirates but declined significantly in Iran and especially in Turkey.

### Chemical production (excluding pharmaceuticals)

Real change compared with previous year

	2022	2021
<b>World</b>	<b>2.2%</b>	<b>6.1%</b>
European Union	-5.8%	6.3%
United States	2.3%	1.7%
Emerging markets of Asia excluding China	-1.1%	6.5%
China	6.6%	7.7%
Japan	-3.0%	3.8%
South America	2.6%	3.6%

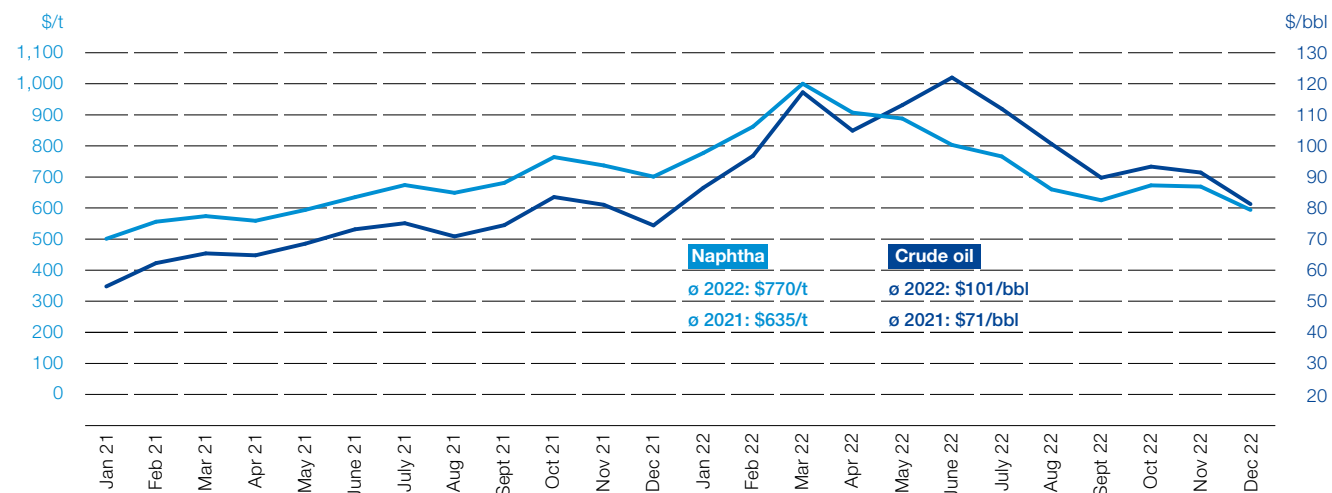
### Price trends for key commodities

The Russian war against Ukraine and the associated tensions led to significant price increases on the international commodity markets and high price volatility.

Overall, oil demand grew at a slightly weaker rate than global GDP in 2022. The increase in travel in the advanced economies boosted demand for oil, while demand in China declined slightly due to continued travel restrictions and temporary lockdowns. Crude oil prices rose from \$71 per barrel of Brent in 2021 to \$101 per barrel in 2022 due to growth in demand for oil, war and sanctions-related constraints and an OPEC+ production cut agreed in October. The price of oil fluctuated over the course of the year between around \$122 per barrel in June and around \$81 per barrel in December. Over the course of the year, the average monthly price for the chemical raw material naphtha ranged between \$1,012 per metric ton in March and \$594 per metric ton in December. At \$770 per metric ton, the annual average price of naphtha in 2022 was higher than in 2021 (\$635 per metric ton).

### Price trends for crude oil (Brent) and naphtha

\$/barrel, \$/metric ton



Due to low gas storage levels in Europe at the end of the heating season in the second quarter of 2022 and the ongoing reduction in Russian gas supplies, gas prices on the Northwest European spot market rose sharply through August. At its peak, the monthly average price reached €235.94 per MWh (\$69.84 per mmBtu) in August. The lowest monthly average price was €75.87 per MWh (\$21.79 per mmBtu) in October. The annual average gas price in Northwest Europe in 2022 was €124.16 per MWh (\$38.01 per mmBtu) (2021: €46.88 per MWh / \$16.02 per mmBtu).

The average price of gas in the United States was \$6.36 per mmBtu, likewise well above the prior-year level (\$3.89 per mmBtu). Gas prices in China averaged around \$12.21 per mmBtu nationally (2021: \$11.96 per mmBtu).<sup>1</sup>

<sup>1</sup> This report references the retail price for industrial end users. The 2021 Report cited wholesale prices in the gas market in China. This reference is no longer published.

## Results of Operations

**Global economic development in 2022 was exceptionally volatile and characterized by strong regional differences. Especially the war in Ukraine, rising raw materials and energy prices, high inflation and interest rates, as well as China's prolonged and strict zero-COVID policy took their toll on the markets. In this market environment, growth in the global economy, worldwide industrial production and chemical production were significantly weaker than we had expected at the beginning of the year. BASF's business was nevertheless robust: Sales increased considerably, while EBIT before special items was €6.9 billion, within the forecast range. At 10.0%, ROCE was considerably below the prior-year figure.**

**Exceptionally high impairment losses on the shareholding in Wintershall Dea AG negatively affected the BASF Group's net income from shareholdings.**

Business reviews by segment can be found from page 69 onward  
 For more information on the development of CO<sub>2</sub> emissions, see page 135 onward

### At a glance

- Sales considerably higher than previous year
- EBIT before special items and ROCE down sharply
- Net income from shareholdings down by –€4,939 million
- Earnings per share of –€0.70; adjusted earnings per share of €6.96

Compared with the previous year, **sales** rose by €8,729 million to €87,327 million in the 2022 business year. Sales growth was mainly driven by higher prices across almost all segments due to an increase in raw materials and energy prices. The Materials and Chemicals segments implemented the highest price increases. Currency effects considerably supported the positive sales development. Portfolio effects in the Surface Technologies segment from the acquisition of a majority shareholding in BASF Shanshan Battery

Materials Co., Ltd. as of August 31, 2021, also contributed to the sales increase. This more than compensated for negative portfolio effects in the Industrial Solutions segment, mainly from the sale of the global pigments business as of June 30, 2021. Significantly lower volumes overall dampened sales growth in the BASF Group. Volumes development was primarily driven by lower sales volumes in the Surface Technologies and Chemicals segments.

#### Sales

Million €

2022	87,327
2021	78,598
2020	59,149
2019	59,316
2018 <sup>a</sup>	60,220

<sup>a</sup> Sales for 2018 were reduced by the share attributable to construction chemicals activities due to their presentation as discontinued operations.

#### Factors influencing sales of the BASF Group

	Change in million €	Change in %
Volumes	–5,498	–7.0
Prices	9,350	11.9
Currencies	4,765	6.1
Acquisitions	790	1.0
Divestitures	–564	–0.7
Changes in the scope of consolidation	–114	–0.1
<b>Total change in sales</b>	<b>8,729</b>	<b>11.1</b>

At €6,878 million, **income from operations (EBIT) before special items** was €890 million below the prior-year figure. The earnings development was attributable to a strong decline in earnings contributions from the Chemicals and Materials segments. Both segments recorded lower margins and volumes as well as higher fixed costs. By contrast, EBIT before special items rose in all other

segments. The Agricultural Solutions segment increased EBIT before special items considerably, in particular as a result of the positive sales performance. The Nutrition & Care segment also achieved a considerable increase here, mainly due to price-driven margin growth. The Surface Technologies segment recorded considerably higher earnings, especially due to increased earnings contributions from the automotive catalysts and battery materials businesses. Higher prices and volumes in the Coatings division additionally supported the segment's earnings performance. The Industrial Solutions segment slightly increased EBIT before special items as a result of price-driven margin growth. EBIT before special items attributable to Other improved slightly.

For an explanation of the indicator EBIT before special items, see page 42

#### EBIT before special items

Million €

2022	6,878
2021	7,768
2020	3,560
2019 <sup>a</sup>	4,643
2018 <sup>a, b</sup>	6,281

<sup>a</sup> EBIT before special items for 2019 has been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. Figures for 2018 have not been restated.

<sup>b</sup> EBIT before special items for 2018 was reduced by the share attributable to construction chemicals activities due to their presentation as discontinued operations.

**Special items** in EBIT amounted to –€330 million in 2022 compared with –€91 million in the previous year. Special charges for restructuring measures were €249 million, mainly in connection with the carve-out of the newly established BASF Environmental Catalyst and Metal Solutions unit within the Catalysts division, the discontinuation of our business activities in Russia and restructuring measures. In other charges and income, the impairment loss on a plant in the Chemicals segment in particular led to total special charges of €222 million (2021: other charges of €27 million). Integration costs amounted to €32 million compared with €85 million in the previous year; in both years, these were primarily related to the integration of the BASF Shanshan companies acquired in 2021.



Special income from divestitures totaled €174 million, mainly from the sale of 51% of our share in the Hollandse Kust Zuid offshore wind farm. This was partly offset by impairments in connection with the planned divestiture of our production site in De Meern, Netherlands.

[For the definition of special items, see page 42](#)

### Special items

Million €	2022	2021
Restructuring measures	-249	-99
Integration costs	-32	-85
Divestitures	174	120
Other charges and income	-222	-27
<b>Total special items in EBIT</b>	<b>-330</b>	<b>-91</b>

At €6,548 million, **EBIT** for the BASF Group in 2022 was considerably lower than the previous year. This figure includes income from integral companies accounted for using the equity method, which declined by €289 million to €386 million. This was mainly attributable to the €196 million lower earnings contribution by BASF-YPC Company Ltd., Nanjing, China.

### EBIT

Million €

2022	6,548
2021	7,677
2020	-191
2019 <sup>a</sup>	4,201
2018 <sup>a, b</sup>	5,974

- <sup>a</sup> EBIT for 2019 has been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. Figures for 2018 have not been restated.
- <sup>b</sup> EBIT for 2018 was reduced by the share attributable to construction chemicals activities due to their presentation as discontinued operations.

We use the indicator **return on capital employed (ROCE)** to measure our rate of return. ROCE declined to 10.0% (2021: 13.7%) due to a significant increase in the cost of capital basis and a simultaneous decrease in earnings.<sup>1</sup>

[For more information on the calculation of ROCE, see page 41](#)

The calculation of EBIT as part of our statement of income is shown in the Consolidated Financial Statements on page 203

### ROCE<sup>a</sup>

Million €

	2022	2021
EBIT of the BASF Group	6,548	7,677
- EBIT of Other	-523	-759
EBIT of the segments	7,070	8,435
<b>Cost of capital basis of segments, average of month-end figures</b>	<b>70,982</b>	<b>61,664</b>
<b>ROCE</b>	<b>10.0</b>	<b>13.7</b>

### Capital employed<sup>a</sup>

Million €

	2022	2021
Intangible assets	13,576	13,143
+ Property, plant and equipment	21,374	19,280
+ Integral investments accounted for using the equity method	2,052	1,767
+ Inventories	15,608	11,459
+ Accounts receivable, trade	13,919	11,588
+ Current and noncurrent other receivables and other assets <sup>b</sup>	4,309	3,908
+ Assets of disposal groups	144	520
<b>Cost of capital basis of segments, average of month-end figures</b>	<b>70,982</b>	<b>61,664</b>
+ Deviation from cost of capital basis at closing rates as of December 31	-3,300	2,717
+ Assets not included in cost of capital	16,791	23,002
<b>Assets of the BASF Group as of December 31</b>	<b>84,472</b>	<b>87,383</b>

- <sup>a</sup> The polyolefins and styrenics businesses of the joint venture BASF-YPC Company Ltd., Nanjing, China, which were previously reported under Other, were allocated to the Petrochemicals division as of January 1, 2022. The prior-year figures have been adjusted.
- <sup>b</sup> Including customer/supplier financing and other adjustments

<sup>1</sup> For more information on net assets, see page 61 onward.

## Net income from shareholdings, financial result and income after taxes

**Net income from shareholdings** amounted to –€4,939 million in 2022, after €207 million in 2021. The significant decline was due to special charges of around €6.3 billion, mainly from non-cash-effective impairment losses on the shareholding in Wintershall Dea AG. These were especially due to the deconsolidation of Wintershall Dea's Russian exploration and production activities, which subsequently resulted in a revaluation of Wintershall Dea's Russian shareholdings. Furthermore, write-downs were performed on the company's European gas transportation business, including a complete impairment on the shareholding in Nord Stream AG and the financing of the Nord Stream 2 project. Wintershall Dea's operating earnings contribution for 2022 rose to approximately €1.5 billion, after €335 million in the previous year.

The **financial result** improved by €17 million to –€418 million. This was mainly attributable to the €136 million improvement in the other financial result. This predominantly resulted from higher net interest income on income taxes and lower net expense in connection with bonds in foreign currency and related hedging instruments. By contrast, the interest result decreased by €119 million to –€433 million, especially driven by higher interest expenses for financial indebtedness due to increased interest rates and a higher financing volume.

Overall, **income before income taxes** amounted to €1,190 million in 2022, after €7,448 million in the previous year. Income tax expenses were €1,581 million (2021: €1,430 million). Given the high impairment losses in net income from shareholdings, which do not have an impact on tax expense, the tax rate was 132.9%.

**Noncontrolling interests** amounted to €236 million compared with €459 million in 2021, primarily due to lower earnings contributions from BASF TotalEnergies Petrochemicals LLC, Houston, Texas, and

BASF PETRONAS Chemicals Sdn. Bhd., Kuala Lumpur, Malaysia. This was partially offset by higher earnings contributions from the BASF Shanshan companies.

**Net income** was –€627 million compared with €5,523 million in 2021.

**Earnings per share** amounted to –€0.70 compared with €6.01 in the previous year.

 For more information on the items in the statement of income, see the Notes to the Consolidated Financial Statements on page 203

For more information on the tax rate, see Note 12 to the Consolidated Financial Statements from page 237 onward

## Additional indicators for results of operations

We also use alternative performance measures (APMs) to steer the BASF Group. Investors, analysts and rating agencies use them to assess our performance. These are not defined by IFRS. As such, the methods of calculation can differ from those used by other companies. Alternative performance measures for the results of operations are EBIT before special items, EBITDA before special items, EBITDA, the EBITDA margin and adjusted earnings per share. Other APMs are net debt,<sup>1</sup> free cash flow<sup>1</sup> and capital expenditures (capex).<sup>2</sup>

**Income from operations before depreciation, amortization and special items (EBITDA before special items)** and **income from operations before depreciation and amortization (EBITDA)** are indicators that describe operational performance independent of age-related depreciation and amortization of assets and any impairment or reversal of impairment. Both figures are therefore particularly useful in cross-company comparisons. EBITDA before special items is also highly useful in making comparisons over time. The EBITDA margin is a relative indicator and is calculated as the ratio of EBITDA

to sales revenue, enabling operational performance to be compared independently of the size of the underlying business.

EBITDA before special items in 2022 was €585 million below the 2021 figure at €10,762 million; EBITDA decreased by €607 million to €10,748 million. The EBITDA margin was 12.3% in 2022 compared with 14.4% in the previous year.

### EBITDA before special items

Million €

	2022	2021
EBIT	6,548	7,677
– Special items	–330	–91
<b>EBIT before special items</b>	<b>6,878</b>	<b>7,768</b>
+ Depreciation and amortization	3,827	3,534
+ Impairments and reversals of impairments on property, plant and equipment and intangible assets before special items	57	45
<b>Depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets before special items</b>	<b>3,885</b>	<b>3,580</b>
<b>EBITDA before special items</b>	<b>10,762</b>	<b>11,348</b>


<sup>1</sup> For more information on these indicators, see the Financial Position from page 63 onward.

<sup>2</sup> For more information on capex, see Our Steering Concept on page 42 and Material Investments and Portfolio Measures on page 37.

<b>EBITDA</b>			
Million €			
		<b>2022</b>	<b>2021</b>
EBIT		6,548	7,677
+ Depreciation and amortization		3,827	3,534
+ Impairments and reversals of impairments on property, plant and equipment and intangible assets		373	144
<b>Depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets</b>		<b>4,200</b>	<b>3,678</b>
<b>EBITDA</b>		<b>10,748</b>	<b>11,355</b>
Sales revenue		87,327	78,598
<b>EBITDA margin</b>	<b>%</b>	<b>12.3</b>	<b>14.4</b>

Compared with earnings per share, **adjusted earnings per share** is firstly adjusted for special items. Amortization, impairments and reversals of impairments on intangible assets are then eliminated. Amortization of intangible assets primarily results from the purchase price allocation following acquisitions and is therefore of a temporary nature. The effects of these adjustments on income taxes and on noncontrolling interests are also considered. This makes adjusted earnings per share a suitable measure for making comparisons over time and predicting future profitability.

In 2022, adjusted earnings per share amounted to €6.96 compared with €6.76 in the previous year.

 For more information on the earnings per share according to IFRS, see Note 6 to the Consolidated Financial Statements on page 226

#### Adjusted earnings per share

Million €			
		<b>2022</b>	<b>2021</b>
<b>Income after taxes</b>		<b>-391</b>	<b>5,982</b>
- Special items <sup>a</sup>		-6,637	-181
+ Amortization, impairments and reversals of impairments on intangible assets		652	614
- Amortization, impairments and reversals of impairments on intangible assets contained in special items		0	0
- Adjustments to income taxes		372	116
- Adjustments to income after taxes from discontinued operations		-	-36
<b>Adjusted income after taxes</b>		<b>6,526</b>	<b>6,695</b>
- Adjusted noncontrolling interests		248	483
<b>Adjusted net income</b>		<b>6,278</b>	<b>6,212</b>
Weighted average number of outstanding shares (in thousands) <sup>b</sup>		901,754	918,479
<b>Adjusted earnings per share</b>	<b>€</b>	<b>6.96</b>	<b>6.76</b>

<sup>a</sup> Includes special items in net income from shareholdings of -€6,307 million for 2022 and -€90 million for 2021.

<sup>b</sup> Due to the current share buyback program, the weighted average number of outstanding shares in the 2022 business year was 901,754,219.

**Sales and earnings**

Million €

	2022	2021	+/-
Sales	87,327	78,598	11.1%
Income from operations before depreciation, amortization and special items	10,762	11,348	-5.2%
Income from operations before depreciation and amortization (EBITDA)	10,748	11,355	-5.3%
EBITDA margin %	12.3	14.4	-
Depreciation and amortization <sup>a</sup>	4,200	3,678	14.2%
Income from operations (EBIT)	6,548	7,677	-14.7%
Special items	-330	-91	-263.9%
EBIT before special items	6,878	7,768	-11.5%
Income before income taxes	1,190	7,448	-84.0%
Income after taxes from continuing operations	-391	6,018	.
Income after taxes from discontinued operations	-	-36	100.0%
Net income	-627	5,523	.
Earnings per share €	-0.70	6.01	.
Adjusted earnings per share €	6.96	6.76	3.0%

<sup>a</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)

**Sales and earnings by quarter in 2022<sup>a</sup>**

Million €

	Q1	Q2	Q3	Q4	Full year
Sales	23,083	22,974	21,946	19,323	87,327
Income from operations before depreciation, amortization and special items	3,743	3,293	2,325	1,401	10,762
Income from operations before depreciation and amortization (EBITDA)	3,709	3,396	2,255	1,389	10,748
Depreciation and amortization <sup>b</sup>	924	1,046	960	1,270	4,200
Income from operations (EBIT)	2,785	2,350	1,294	119	6,548
Special items	-34	11	-53	-254	-330
EBIT before special items	2,818	2,339	1,348	373	6,878
Income before income taxes	1,878	2,658	1,239	-4,585	1,190
Income after taxes from continuing operations	1,321	2,179	952	-4,843	-391
Income after taxes from discontinued operations	-	-	-	-	-
Net income	1,221	2,090	909	-4,847	-627
Earnings per share €	1.34	2.31	1.01	-5.42	-0.70
Adjusted earnings per share €	2.70	2.37	1.77	0.09	6.96

**Sales and earnings by quarter in 2021<sup>a</sup>**

Million €

	Q1	Q2	Q3	Q4	Full year
Sales	19,400	19,753	19,669	19,776	78,598
Income from operations before depreciation, amortization and special items	3,181	3,217	2,771	2,179	11,348
Income from operations before depreciation and amortization (EBITDA)	3,176	3,199	2,729	2,250	11,355
Depreciation and amortization <sup>b</sup>	865	883	907	1,023	3,678
Income from operations (EBIT)	2,311	2,316	1,822	1,227	7,677
Special items	-10	-39	-43	1	-91
EBIT before special items	2,321	2,355	1,865	1,227	7,768
Income before income taxes	2,247	2,189	1,777	1,235	7,448
Income after taxes from continuing operations	1,810	1,794	1,424	990	6,018
Income after taxes from discontinued operations	-	-	-43	7	-36
Net income	1,718	1,654	1,253	898	5,523
Earnings per share €	1.87	1.80	1.36	0.98	6.01
Adjusted earnings per share €	2.00	2.03	1.56	1.17	6.76

<sup>a</sup> Quarterly results not audited.

<sup>b</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)

## Net Assets

### Assets

	December 31, 2022		December 31, 2021	
	Million €	%	Million €	%
Intangible assets	13,273	15.8	13,499	15.5
Property, plant and equipment	22,967	27.3	21,553	24.7
Integral investments accounted for using the equity method	2,356	2.8	2,540	2.9
Non-integral investments accounted for using the equity method	4,645	5.5	9,843	11.3
Other financial assets	1,120	1.3	575	0.7
Deferred tax assets	880	1.0	2,600	3.0
Other receivables and miscellaneous assets	1,810	2.2	1,722	2.0
<b>Noncurrent assets</b>	<b>47,050</b>	<b>55.7</b>	<b>52,332</b>	<b>59.9</b>
Inventories	16,028	19.0	13,868	15.9
Accounts receivable, trade	12,055	14.3	11,942	13.7
Other receivables and miscellaneous assets	6,591	7.8	5,568	6.4
Marketable securities	232	0.3	208	0.2
Cash and cash equivalents	2,516	3.0	2,624	3.0
Assets of disposal groups	–	–	840	1.0
<b>Current assets</b>	<b>37,422</b>	<b>44.4</b>	<b>35,051</b>	<b>40.1</b>
<b>Total assets</b>	<b>84,472</b>	<b>100.0</b>	<b>87,383</b>	<b>100.0</b>

### Assets

#### At a glance

- Decrease in total assets to €84.5 billion, mainly due to impairments on the shareholding in Wintershall Dea AG of around €6.5 billion
- Current assets up €2.4 billion, primarily as a result of higher inventories

Total assets amounted to €84,472 million as of December 31, 2022, €2,910 million below the prior year-end figure.

**Noncurrent assets** declined by €5,282 million compared with December 31, 2021, to €47,050 million. This was largely attributable to the €5,198 million decrease in the carrying amounts of non-integral shareholdings accounted for using the equity method, mainly due to impairments on the shareholding in Wintershall Dea AG totaling €6,531 million. These primarily related to Wintershall Dea's Russian activities and its European gas transportation business.

Deferred tax assets declined by €1,720 million, mainly due to lower pension provisions.

Intangible assets amounted to €13,273 million, €227 million below the prior year-end figure. This largely reflected amortization of €648 million, which was partially offset by additions of €125 million. Currency effects increased intangible assets by €330 million. Goodwill rose by €176 million to €7,696 million, mainly from currency effects.

Compared with the end of the previous year, the carrying amounts of integral investments accounted for using the equity method declined by €184 million to €2,356 million. The addition of the interest in the Hollandse Kust Zuid wind farm following the sale of shares was offset by decreases at Lucura Versicherungs AG due to the transition to full consolidation and at BASF-YPC Company Ltd., Nanjing, China.

The €1,414 million increase in property, plant and equipment was mainly due to additions of €4,842 million, which exceeded depreciation by €1,273 million. Currency effects of €286 million also contributed to the increase.

Other financial assets were €545 million higher than the prior year-end figure, in particular from the first-time inclusion of Lucura Versicherungs AG in the consolidated financial statements as a fully consolidated company.

Noncurrent other receivables and miscellaneous assets amounted to €1,810 million, up €88 million from the previous year, largely as a result of higher defined benefit assets.

**Current assets** rose by €2,371 million compared with December 31, 2021, primarily from the €2,159 million increase in inventories; the Agricultural Solutions segment in particular recorded inventory growth.

Other current receivables and miscellaneous assets rose by €1,023 million, mainly due to higher precious metal trading items, higher positive fair values of derivatives and higher tax refund claims.

Trade accounts receivable increased by €114 million year on year.

The assets reported as disposal groups as of December 31, 2021, were divested in 2022: BASF sold 51% of its interest in the Hollandse Kust Zuid wind farm in the second quarter and the divestiture of the kaolin minerals business was completed on September 30.

At €2,516 million, cash and cash equivalents were €108 million below the figure as of December 31, 2021.

 For more information on the composition and development of individual asset items, see the Notes to the Consolidated Financial Statements from page 209 onward

## Financial Position

### Equity and liabilities

	December 31, 2022		December 31, 2021	
	Million €	%	Million €	%
Subscribed capital	1,144	1.4	1,176	1.4
Capital reserves	3,147	3.7	3,106	3.6
Retained earnings	35,453	42.1	40,365	46.2
Other comprehensive income	-171	-0.2	-3,855	-4.4
Noncontrolling interests	1,350	1.6	1,289	1.5
<b>Equity</b>	<b>40,923</b>	<b>48.4</b>	<b>42,081</b>	<b>48.2</b>
Provisions for pensions and similar obligations	2,810	3.3	6,160	7.1
Deferred tax liabilities	1,543	1.8	1,499	1.7
Tax provisions	330	0.4	415	0.5
Other provisions	1,650	2.0	1,782	2.0
Financial indebtedness	15,171	18.0	13,764	15.8
Other liabilities	1,606	1.9	1,600	1.8
<b>Noncurrent liabilities</b>	<b>23,110</b>	<b>27.4</b>	<b>25,220</b>	<b>28.9</b>
Accounts payable, trade	8,434	10.0	7,826	9.0
Provisions	3,799	4.5	3,935	4.5
Tax liabilities	995	1.2	1,161	1.3
Financial indebtedness	3,844	4.6	3,420	3.9
Other liabilities	3,368	4.0	3,679	4.2
Liabilities of disposal groups	-	-	61	0.1
<b>Current liabilities</b>	<b>20,440</b>	<b>24.3</b>	<b>20,081</b>	<b>23.0</b>
<b>Total equity and liabilities</b>	<b>84,472</b>	<b>100.0</b>	<b>87,383</b>	<b>100.0</b>

### Equity and liabilities

#### At a glance

- Equity ratio of 48.4% at prior-year level
- Net debt rose to €16,268 million
- Rated A by Standard & Poor's, Moody's and Fitch
- Cash flows from operating activities above previous year

Equity declined by €1,159 million compared with the previous year to €40,923 million. Retained earnings were €4,912 million below the figure as of December 31, 2021. This was due to the negative net income, share buybacks in the amount of €1.3 billion and dividend payments for 2021 of €3.1 billion. By contrast, other comprehensive income rose by €3,683 million, mainly from actuarial gains and currency effects.

At 48.4%, the equity ratio was at the prior-year level (48.2%).

**Noncurrent liabilities** declined by €2,110 million compared with the 2021 year-end. This was primarily attributable to the €3,351 million decrease in provisions for pensions and similar obligations, mainly as a result of higher interest rates in all relevant currency zones.

The €133 million decrease in other provisions largely resulted from lower provisions for interest on tax risks and for personnel expenses.

In addition, tax provisions decreased by €85 million.

The €1,407 million increase in noncurrent financial indebtedness primarily reflected the issue of new euro-denominated bonds with a total volume of €3,484 million. This was partially offset by the reclassification of three bonds with an aggregate carrying amount of €2,035 million from noncurrent to current financial indebtedness.

Deferred tax liabilities rose slightly compared with the prior year-end to €1,543 million.

Other noncurrent liabilities were on a level with the previous year, at €1,606 million.

**Current liabilities** rose by €359 million to €20,440 million, primarily as a result of the €609 million increase in trade accounts payable. In addition, current financial indebtedness was €424 million above the figure as of December 31, 2021. This was attributable to the above-mentioned reclassification of three bonds in the aggregate amount of around €2.1 billion from noncurrent to current financial indebtedness, including interest and currency effects, as well as to the €406 million increase in commercial paper at BASF SE. This was partially offset by the scheduled repayment of three bonds totaling around €2 billion.

Other liabilities declined by €312 million year on year, mainly due to lower liabilities from precious metal trading and lower negative fair values of derivatives.

Tax liabilities decreased by €166 million.

Furthermore, current provisions were €136 million below the prior-year figure, largely as a result of lower provisions for bonus payments as well as for restructuring; higher provisions for rebates had an offsetting effect.

Net debt rose by €1,916 million compared with December 31, 2021, to €16,268 million.

[For more information on the composition and development of individual equity and liability items, see the Notes to the Consolidated Financial Statements from page 209 onward](#)

[For more information on the development of the balance sheet, see the Ten-Year Summary on page 293](#)

**Net debt**

Million €

	December 31, 2022	December 31, 2021
Noncurrent financial indebtedness	15,171	13,764
+ Current financial indebtedness	3,844	3,420
<b>Financial indebtedness</b>	<b>19,016</b>	<b>17,184</b>
– Marketable securities	232	208
– Cash and cash equivalents	2,516	2,624
<b>Net debt</b>	<b>16,268</b>	<b>14,352</b>

**Off-balance sheet obligations**

Off-balance sheet obligations mainly relate to long-term purchase obligations for raw materials and long-term supply agreements for electricity from renewable sources. In addition, obligations exist in connection with initiated or planned investment projects (2022: €13,982 million). In 2022, new obligations of this type arose primarily in connection with the construction of the new BASF Verbund site in Zhanjiang, China.

[For more information, see Note 25 to the Consolidated Financial Statements on page 268 and the forecast from page 154 onward](#)

**Financing policy and credit ratings**

Our financing policy aims to ensure our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our external financing needs on the international capital markets.

We strive to maintain a solid A rating, which ensures unrestricted access to financial and capital markets. Our financing measures are aligned with our operational business planning as well as the company's strategic direction and also ensure the financial flexibility to take advantage of strategic options.

**Maturities of financial indebtedness**

Million €

2023	3,844
2024	1,300
2025	1,918
2026	2,177
2027	2,381
2028 and beyond	7,395

BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. Moody's most recently confirmed its rating of A3/P-2/outlook stable on January 18, 2023. Standard & Poor's confirmed its rating of A/A-1/outlook negative on December 8, 2022. Fitch maintained its rating of A/F1/outlook stable on November 30, 2022.

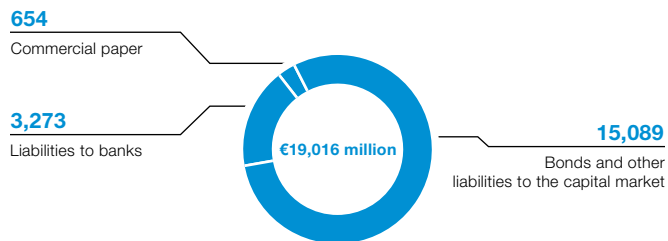
We have solid financing, both for ongoing business and for investment projects initiated or planned. Corporate bonds form the basis of our medium to long-term debt financing. These are issued in euros and other currencies with different maturities as part of our €20 billion debt issuance program. The goal is to create a balanced maturity profile, diversify our financing and optimize our debt capital financing conditions.



For short-term financing, we use BASF SE's global commercial paper program, which has an issuing volume of up to \$12.5 billion. As of December 31, 2022, commercial paper with a carrying amount of €654 million was outstanding under this program. A firmly committed, syndicated credit line of €6 billion with a term until 2026 covers the repayment of outstanding commercial paper. It can also be used for general company purposes. This credit line and another short-term credit line of €3 billion that was taken out in April 2022 were not used at any point in 2022. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

**Financing instruments**

Million €



BASF Group's most important financial contracts contain no side agreements with regard to specific financial ratios (financial covenants) or compliance with a specific rating (rating trigger).

To minimize risks and leverage internal optimization potential within the Group, we bundle the financing, financial investments and foreign currency hedging of BASF SE's subsidiaries within the BASF Group where possible. Foreign currency risks are primarily hedged centrally using derivative financial instruments in the market.

Our interest risk management generally pursues the goal of reducing interest expenses for the BASF Group and limiting interest risks. Interest rate hedging transactions are therefore conducted with banks in order to turn selected liabilities to the capital market from fixed to variable interest rates or vice versa.

For more information on the financing tools and hedging instruments used, see Note 21 from page 257 onward and Note 26 from page 269 onward in the Notes to the Consolidated Financial Statements

**Statement of cash flows**

**Cash flows from operating activities** amounted to €7,709 million, compared with €7,245 million in the previous year. The improvement was primarily due to lower cash tied up in net working capital as well as to higher depreciation and amortization. Net income declined by €6,150 million year on year to –€627 million. The loss is mainly attributable to the negative equity-accounted earnings contribution from Wintershall Dea AG (–€4,853 million), which is eliminated as a noncash effect in miscellaneous items. Depreciation and amortization of property, plant and equipment and intangible assets was €514 million above the prior-year figure.

The €935 million decrease in cash tied up in net working capital in 2022 is partly due to the reduction in trade accounts receivable, which had increased significantly in the previous year. In addition, less cash was tied up in inventories in the year under review than in 2021. Dividend payments from shareholdings accounted for using the equity method and other shareholdings recognized under other receivables rose by €946 million. By contrast, the reduction in other provisions led to an outflow of cash. In particular, bonus payments to employees in 2022 were significantly higher than in the previous year. Moreover, the increase in trade accounts payable in the year under review was not as strong as in the previous year.

**Cash flows from investing activities** totaled –€3,778 million in 2022, after –€2,622 million in the previous year. Payments made for property, plant and equipment and intangible assets rose by €843 million to €4,375 million, mainly due to investments in the new Verbund site in Zhanjiang, China. Payments received from divestitures in the amount of €691 million resulted primarily from the sale of shares in the Hollandse Kust Zuid wind farm and the sale of the kaolin minerals business. These were partially offset by cash outflows of €13 million for a subsequent purchase price adjustment from the acquisition of Solvay's polyamide business. In 2021, payments received for divestitures amounted to €1,030 million and mainly related to the sale of the global pigments business. An offsetting effect in 2021 was the €600 million payment made for the acquisition of 51% of BASF Shanshan Battery Materials Co., Ltd. In addition, the sale of our shares in Solenis led to cash inflows in the previous year.

**Cash flows from financing activities** amounted to –€4,013 million. In addition to the payment of dividends in the amount of €3,248 million (2021: €3,312 million), BASF bought back own shares worth €1,325 million. This was partially offset by net additions to financial and similar liabilities of €565 million (2021: net disposal of €3,145 million).

**Free cash flow**, which remains after deducting payments made for property, plant and equipment and intangible assets from cash flows from operating activities, represents the financial resources remaining after investments. It amounted to €3,333 million in 2022 after €3,713 million in the previous year.

**Statement of cash flows**

Million €

	2022	2021
Net income	-627	5,523
Depreciation and amortization of property, plant and equipment and intangible assets	4,200	3,687
Changes in net working capital	-632	-1,566
Miscellaneous items	4,767	-398
<b>Cash flows from operating activities</b>	<b>7,709</b>	<b>7,245</b>
Payments made for property, plant and equipment and intangible assets	-4,375	-3,532
Acquisitions/divestitures	678	430
Changes in financial assets and miscellaneous items	-81	480
<b>Cash flows from investing activities</b>	<b>-3,778</b>	<b>-2,622</b>
Capital increases/repayments and other equity transactions	-1,331	-
Changes in financial and similar liabilities	565	-3,145
Dividends	-3,248	-3,312
<b>Cash flows from financing activities</b>	<b>-4,013</b>	<b>-6,457</b>
Cash-effective changes in cash and cash equivalents	-83	-1,834
Changes in cash and cash equivalents from foreign exchange rates and changes in the scope of consolidation	-25	123
Cash and cash equivalents at the beginning of the year	2,624	4,335
<b>Cash and cash equivalents at the end of the year</b>	<b>2,516</b>	<b>2,624</b>

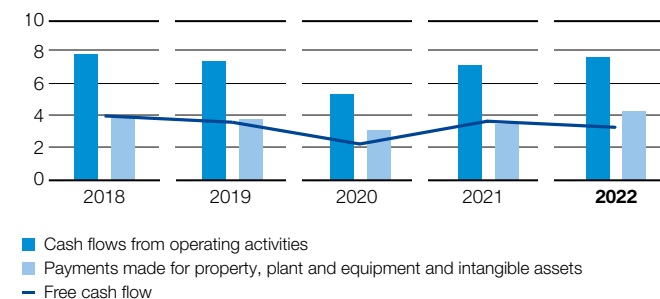
**Free cash flow**

Million €

	2022	2021
Cash flows from operating activities	7,709	7,245
- Payments made for property, plant and equipment and intangible assets	4,375	3,532
<b>Free cash flow</b>	<b>3,333</b>	<b>3,713</b>

**Cash flow**

Billion €



## Actual Development Compared With Outlook for 2022

### Sales, earnings and ROCE forecast for the BASF Group

The BASF Group increased **sales** to €87.3 billion in 2022, significantly exceeding the range forecast at the beginning of the year of €74 billion to €77 billion. However, sales were within the forecast range of €86 billion to €89 billion communicated in July 2022. The Materials, Chemicals and Industrial Solutions segments outperformed initial forecasts with considerable sales growth. We had originally anticipated only a slight increase in the Materials segment. We had expected a considerable decline in the Chemicals segment and a slight decrease in the Industrial Solutions segment. Sales in Other also improved considerably instead of slightly as forecast. Growth in BASF Group sales was mainly driven by significant price increases in the segments as a result of raw materials and energy price developments. Portfolio effects had a positive impact, as expected. We were only able to increase sales volumes as forecast in the Agricultural Solutions segment. Contrary to our expectations, we recorded lower volumes in all other segments as a result of weaker demand.

At €6.9 billion, **EBIT before special items** was within both the forecast range of €6.6 billion to €7.2 billion from February 2022 and the adjusted range of €6.8 billion to €7.2 billion from July 2022. The Agricultural Solutions and Nutrition & Care segments considerably increased EBIT before special items, as expected. The Chemicals and Materials segments recorded a considerable decline in earnings as forecast. The Surface Technologies and Industrial Solutions segments did not develop as expected: The Surface Technologies segment significantly increased EBIT before special items, while the Industrial Solutions segment recorded slight earnings growth; we had assumed a slight deterioration in earnings in each case. EBIT before special items in Other improved slightly, also performing better than expected. We had forecast a considerable decrease.

### Forecast/actual comparison

	Sales		EBIT before special items		ROCE	
	2022 forecast	2022 actual	2022 forecast	2022 actual	2022 forecast	2022 actual
Chemicals	↓	↑	↓	↓	↓	↓
Materials	↔	↑	↓	↓	↓	↓
Industrial Solutions	↔	↑	↔	↔	↔	↔
Surface Technologies	↓	↓	↔	↑	↓	↓
Nutrition & Care	↑	↑	↑	↑	↑	↔
Agricultural Solutions	↑	↑	↑	↑	↑	↑
Other	↔	↑	↓	↔	-	-
<b>BASF Group</b>	<b>€74 billion– €77 billion<sup>a</sup></b>	<b>€87.3 billion</b>	<b>€6.6 billion– €7.2 billion<sup>a</sup></b>	<b>€6.9 billion</b>	<b>11.4%–12.6%<sup>a</sup></b>	<b>10.0%</b>

→ At prior-year level: no change (+/-0.0%)  
 ↗↘ Slight increase/decrease: "slight" represents a change of 0.1%–5.0% for sales; 0.1%–10.0% for earnings; 0.1 to 1.0 percentage points for ROCE  
 ↗↘ Considerable increase/decrease: "considerable" represents a change of 5.1% or higher for sales; 10.1% or higher for earnings; more than 1.0 percentage points for ROCE

<sup>a</sup> We updated our outlook in July 2022, forecasting sales of between €86 billion and €89 billion, EBIT before special items of between €6.8 billion and €7.2 billion, and a ROCE of between 10.5% and 11.0%.

At 10.0%, **ROCE** was above the cost of capital of 9%. Our expectations for ROCE materialized in all segments except Nutrition & Care, where ROCE was slightly lower instead of considerably higher as forecast. Overall, ROCE for the BASF Group amounted to 10.0%, below the range we had forecast in February of between 11.4% and 12.6% and below the revised range from July 2022 of 10.5% to 11.0%. This reflected a significant increase in the cost of capital base amid lower earnings.

### CO<sub>2</sub> emissions forecast for the BASF Group

**CO<sub>2</sub> emissions** amounted to 18.4 million metric tons, well below the range forecast in February 2022 of 19.6 million metric tons to 20.6 million metric tons and at the lower end of the adjusted range from July 2022 of 18.4 million metric tons to 19.4 million metric tons. The main drivers here were the significant reduction in production volumes and the temporary shutdown of emission-intensive plants. One example is the ammonia plants, where production was curbed or temporarily shut down due to high natural gas prices. We continued to use electricity from renewable sources and purchase green electricity certificates.

### Capex forecast for the BASF Group

In 2022, we invested a total of €4.1 billion in capital expenditures (capex), excluding additions from acquisitions, IT investments, restoration obligations and right-of-use assets arising from leases. The figure forecast in February 2022 was around €4.6 billion.

### Sales, earnings and ROCE forecast for the segments

We considerably increased sales in the **Chemicals** segment in 2022 after forecasting a considerable decrease at the beginning of the year. Contrary to expectations, both divisions were able to significantly raise prices following sharp increases in raw materials and energy prices. At the beginning of 2022, we initially expected prices to decrease. Volumes were lower than expected due to weaker demand, especially in the second half of the year. The segment's EBIT before special items and ROCE declined considerably, as forecast.

Contrary to our assumption of slight sales growth, the **Materials** segment increased sales considerably. Here, too, this was mainly due to significant price increases after we had assumed lower prices in February. Weaker demand reduced sales volumes in both divisions. We had initially expected volume growth. EBIT before special items and ROCE declined considerably as forecast.

Sales in the **Industrial Solutions** segment rose considerably in 2022, despite our expectations of a slight decline. This was mainly due to significantly higher prices than originally assumed. These more than offset both the negative portfolio effects from the divestiture of the global pigments business and lower sales volumes. In February, we had assumed that volumes could be increased. The segment's EBIT before special items rose slightly, contrary to our forecast of a slight decrease. The expected margin-driven earnings growth in the Performance Chemicals division more than offset the decline in the Dispersions & Resins division, which was mainly due to the divestiture of the global pigments business. ROCE was slightly above the prior-year level, as forecast.

In line with our forecast, sales in the **Surface Technologies** segment were considerably below the prior-year figure. EBIT before special items rose considerably; we had expected a slight decrease. The increase was due to considerable earnings growth in the Catalysts division as a result of higher earnings contributions from the automotive catalysts and battery materials businesses. This mainly reflected stronger growth in the automotive industry in 2022. ROCE was considerably lower, as forecast.

In the **Nutrition & Care** segment, sales and EBIT before special items rose considerably as expected. ROCE declined slightly, contrary to our forecast of a considerable increase. This was mainly attributable to higher net working capital due to the increase in energy and raw materials prices.

The **Agricultural Solutions** segment recorded strong growth in sales, EBIT before special items and ROCE, as expected.

Sales in **Other** improved considerably due to much stronger-than-forecast sales growth in commodity trading. We had originally assumed a slight sales increase. EBIT before special items was slightly above the prior-year level; we had expected a considerable decline. This was primarily attributable to higher income from the long-term incentive program, among other factors. Income also arose from hedging transactions.

 For more information on our forecast for 2023, see page 154 onward

For more information on investments, see page 37 onward

## Business Review by Segment

Segments:  
 Chemicals  
 Materials  
 Industrial Solutions  
 Surface Technologies  
 Nutrition & Care  
 Agricultural Solutions

### Segment overview

Million €

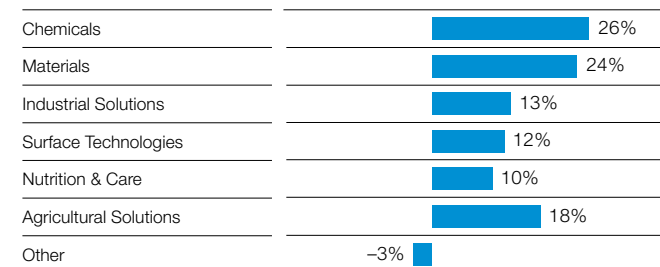
	Sales		Income from operations before depreciation and amortization (EBITDA)		Income from operations (EBIT) before special items	
	2022	2021	2022	2021	2022	2021
	Chemicals	14,895	13,579	2,771	3,882 <sup>b</sup>	1,956
Materials	18,443	15,214	2,660	3,162	1,840	2,418
Industrial Solutions	9,992	8,876	1,443	1,344	1,091	1,006
Surface Technologies	21,283	22,659	1,264	1,243	902	800
Nutrition & Care	8,066	6,442	1,055	967	618	497
Agricultural Solutions	10,280	8,162	1,922	1,358	1,220	715
Other	4,368	3,666	-368	-602 <sup>b</sup>	-749	-761 <sup>b</sup>
<b>BASF Group</b>	<b>87,327</b>	<b>78,598</b>	<b>10,748</b>	<b>11,355</b>	<b>6,878</b>	<b>7,768</b>

	Income from operations (EBIT)		Assets		Investments including acquisitions <sup>a</sup>	
	2022	2021	2022	2021	2022	2021
Chemicals	1,758	3,115 <sup>b</sup>	10,481	10,482 <sup>b</sup>	1,701	1,157
Materials	1,776	2,345	10,864	11,286	880	709
Industrial Solutions	1,097	965	6,318	6,302	322	361
Surface Technologies	612	761	14,899	13,769	740	1,469
Nutrition & Care	605	554	8,038	7,231	642	654
Agricultural Solutions	1,221	696	17,071	15,305	414	347
Other	-523	-759 <sup>b</sup>	16,803	23,007 <sup>b</sup>	268	183
<b>BASF Group</b>	<b>6,548</b>	<b>7,677</b>	<b>84,472</b>	<b>87,383</b>	<b>4,967</b>	<b>4,881</b>

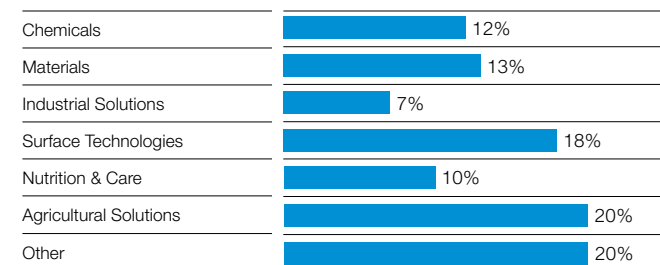
<sup>a</sup> Additions to property, plant and equipment (of which €332 million from acquisitions in 2021) and intangible assets (of which €392 million from acquisitions in 2021)

<sup>b</sup> BASF's ethylene value chain was reorganized internally as of January 1, 2022. In this connection, the polyolefins and styrenics businesses of the joint venture BASF-YPC Company Ltd., Nanjing, China, which were previously reported under Other, were allocated to the Petrochemicals division. The prior-year figures have been adjusted. This reduced income from integral companies accounted for using the equity method, EBITDA before special items, EBITDA, EBIT and EBIT before special items in Other by €28 million in the first quarter of 2021 and increased these indicators in the Petrochemicals division accordingly (rounding differences are possible). The effect was €28 million in both the second and third quarters of 2021 and €34 million in the fourth quarter of 2021. The effect in full-year 2021 was €118 million. The operating assets were also reallocated as part of the reorganization and increased the Chemicals segment's assets by €114 million as of December 31, 2021.

### Contributions to EBITDA by segment in 2022



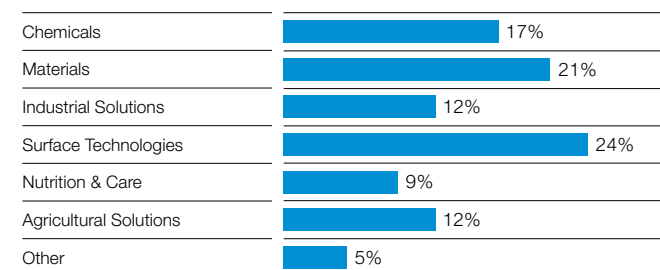
### Contributions to assets by segment in 2022



**Sales<sup>a</sup>**

Million €

	Q1		Q2		Q3		Q4	
	2022	2021	2022	2021	2022	2021	2022	2021
Chemicals	4,004	2,736	4,349	3,419	3,793	3,693	2,749	3,731
Materials	4,821	3,447	4,862	3,743	4,715	3,973	4,045	4,052
Industrial Solutions	2,493	2,108	2,643	2,359	2,687	2,205	2,169	2,204
Surface Technologies	5,457	5,947	5,446	5,892	5,333	5,631	5,047	5,189
Nutrition & Care	1,971	1,533	2,074	1,584	2,123	1,598	1,898	1,727
Agricultural Solutions	3,397	2,846	2,459	1,963	2,142	1,593	2,282	1,760
Other	940	783	1,142	793	1,153	976	1,133	1,113
<b>BASF Group</b>	<b>23,083</b>	<b>19,400</b>	<b>22,974</b>	<b>19,753</b>	<b>21,946</b>	<b>19,669</b>	<b>19,323</b>	<b>19,776</b>

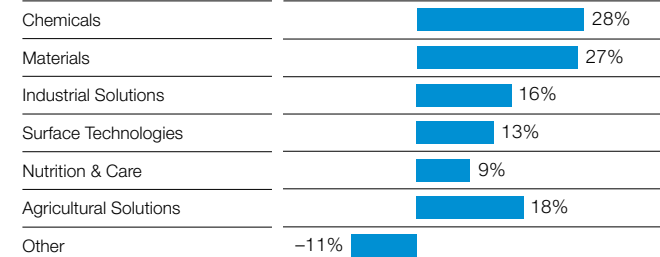
**Contributions to total sales by segment in 2022**

**Income from operations (EBIT) before special items<sup>a</sup>**

Million €

	Q1		Q2		Q3		Q4	
	2022	2021	2022	2021	2022	2021	2022	2021
Chemicals	858	586 <sup>b</sup>	853	1,018 <sup>b</sup>	323	878 <sup>b</sup>	-79	610 <sup>b</sup>
Materials	751	672	668	792	277	631	144	323
Industrial Solutions	348	266	323	307	299	262	120	171
Surface Technologies	267	360	227	289	239	119	170	32
Nutrition & Care	244	218	213	138	180	104	-19	37
Agricultural Solutions	868	807	223	75	7	-90	122	-77
Other	-518	-589 <sup>b</sup>	-168	-263 <sup>b</sup>	22	-39 <sup>b</sup>	-85	131 <sup>b</sup>
<b>BASF Group</b>	<b>2,818</b>	<b>2,321</b>	<b>2,339</b>	<b>2,355</b>	<b>1,348</b>	<b>1,865</b>	<b>373</b>	<b>1,227</b>

<sup>a</sup> Quarterly results not audited

<sup>b</sup> Adjusted figures (see footnote b on page 69)

**Contributions to EBIT before special items by segment in 2022**


**Income from operations (EBIT)<sup>a</sup>**








Million €

	Q1		Q2		Q3		Q4	
	2022	2021	2022	2021	2022	2021	2022	2021
Chemicals	857	633 <sup>b</sup>	851	1,010 <sup>b</sup>	322	877 <sup>b</sup>	-272	595 <sup>b</sup>
Materials	749	648	650	762	272	620	105	315
Industrial Solutions	343	259	310	340	309	229	135	136
Surface Technologies	260	356	81	289	197	104	75	12
Nutrition & Care	246	215	209	194	178	105	-28	40
Agricultural Solutions	863	804	210	35	-1	-44	149	-99
Other	-534	-604 <sup>b</sup>	40	-315 <sup>b</sup>	17	-68 <sup>b</sup>	-46	228 <sup>b</sup>
<b>BASF Group</b>	<b>2,785</b>	<b>2,311</b>	<b>2,350</b>	<b>2,316</b>	<b>1,294</b>	<b>1,822</b>	<b>119</b>	<b>1,227</b>

<sup>a</sup> Quarterly results not audited

<sup>b</sup> Adjusted figures (see footnote b on page 69)

**Contributions to EBIT by segment in 2022**

Chemicals	 27%
Materials	 27%
Industrial Solutions	 17%
Surface Technologies	 9%
Nutrition & Care	 9%
Agricultural Solutions	 19%
Other	 -8%



### Neopentyl glycol ZeroPCF

Since 2022, BASF has offered the versatile intermediate neopentyl glycol (NPG) as a ZeroPCF variant, i.e., with a Product Carbon Footprint (PCF) of net zero.<sup>1</sup> We achieve this through a production process that combines our biomass balance approach with the use of renewable energies and the advantages of our Verbund production system. NPG ZeroPCF has the same quality as our conventionally manufactured NPG and therefore serves as a drop-in solution for our customers to achieve their emission and sustainability targets. A key application area for NPG is powder coatings, primarily used in the construction industry and for household appliances. There, they enable a reduction of volatile organic compounds (VOC) by up to 50%. NPG ZeroPCF is currently produced at the Verbund site in Ludwigshafen, Germany, and is available worldwide.

Discover NPG ZeroPCF at [basf.com/en/npg](https://basf.com/en/npg)

## Chemicals

The Chemicals segment consists of the Petrochemicals and Intermediates divisions. It supplies the other segments with basic chemicals and intermediates, contributing to the organic growth of our key value chains. Alongside internal transfers, our customers mainly come from the chemical and plastics industries. We aim to further expand our competitiveness through technological leadership and operational excellence.

For more information on the Chemicals segment's business model, see page 32 onward

Sales

**€14,895 million**

2021: €13,579 million

EBIT before special items

**€1,956 million**

2021: €3,092 million

<sup>1</sup> Cradle-to-gate calculation (from raw materials extraction to the factory gate)



## Business review

## At a glance

- Sales in both operating divisions considerably above prior-year level
- Strong decrease in EBIT before special items due to lower margins and volumes as well as higher fixed costs

The Chemicals segment increased **sales to third parties** by €1,316 million compared with the previous year to €14,895 million. The Petrochemicals division recorded sales of €10,546 million, €871 million higher than in the previous year. The Intermediates division increased sales by €445 million to €4,349 million.

## Factors influencing sales – Chemicals

	Chemicals	Petrochemicals	Intermediates
Volumes	-10.6%	-9.8%	-12.7%
Prices	15.2%	13.6%	19.0%
Portfolio	-0.1%	-0.1%	-0.1%
Currencies	5.2%	5.3%	5.2%
<b>Sales</b>	<b>9.7%</b>	<b>9.0%</b>	<b>11.4%</b>

The positive sales development was primarily the result of significantly higher prices. This was mainly attributable to sharp increases in prices for raw materials and energy. Price increases in the first half of 2022 were also driven by strong demand and supply chain disruptions, particularly in China as a result of the strict zero-COVID policy. In this market environment, the Petrochemicals division raised prices in all business areas, especially for steam cracker products, styrene monomers and in the propylene value chain. Intermediates mainly raised prices in the amines business. By contrast, following price increases in early 2022, the butanediol and derivatives business recorded a significant decline in prices in the second half of the year, particularly in Asia. This primarily reflected a significant slowdown in demand.

## Segment data – Chemicals

Million €

	2022	2021	+/-
Sales to third parties	14,895	13,579	9.7%
of which Petrochemicals	10,546	9,674	9.0%
Intermediates	4,349	3,904	11.4%
Intersegment transfers	4,860	4,269	13.8%
Sales including transfers	19,754	17,848	10.7%
Income from operations before depreciation, amortization and special items <sup>a</sup>	2,774	3,842	-27.8%
Income from operations before depreciation and amortization (EBITDA) <sup>a</sup>	2,771	3,882	-28.6%
EBITDA margin %	18.6	28.6	-
Depreciation and amortization <sup>b</sup>	1,013	767	32.1%
Income from operations (EBIT) <sup>a</sup>	1,758	3,115	-43.6%
Special items	-198	23	.
EBIT before special items <sup>a</sup>	1,956	3,092	-36.7%
Return on capital employed (ROCE) <sup>a</sup> %	15.6	33.9	-
Assets <sup>a</sup>	10,481	10,482	0.0%
Investments including acquisitions <sup>c</sup>	1,701	1,157	47.0%
Research and development expenses	93	97	-4.1%

<sup>a</sup> BASF's ethylene value chain was reorganized internally as of January 1, 2022. In this connection, the polyolefins and styrenics businesses of the joint venture BASF-YPC Company Ltd., Nanjing, China, which were previously reported under Other, were allocated to the Petrochemicals division. The prior-year figures have been adjusted. This reduced income from integral companies accounted for using the equity method, EBITDA before special items, EBITDA, EBIT and EBIT before special items in Other by €118 million in 2021 and increased these indicators in the Petrochemicals division accordingly. The operating assets were also reallocated as part of the reorganization and increased the Chemicals segment's assets by €114 million as of December 31, 2021.

<sup>b</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)

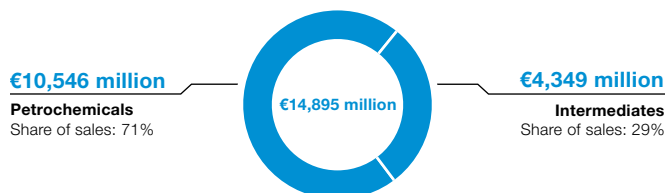
<sup>c</sup> Additions to property, plant and equipment and intangible assets

Sales growth was supported by positive currency effects, primarily relating to the U.S. dollar.

Sales in both operating divisions were reduced by significantly lower volumes due to weaker demand, especially in the second half of the year. The Petrochemicals division recorded lower volumes, especially for steam cracker products, in the propylene value chain and for styrene monomers. In the Intermediates division, sales volumes declined in the butanediol and derivatives business in particular.

**Chemicals – sales**

By division



The segment's **income from operations (EBIT) before special items** declined by €1,136 million to €1,956 million. Both operating divisions recorded a considerable decline in earnings compared with the exceptionally strong previous year. EBIT before special items in the Petrochemicals division decreased mainly as a result of lower margins and volumes, as well as a lower contribution from shareholdings accounted for using the equity method. The Intermediates division's earnings were below the prior-year level, primarily due to higher fixed costs. The main drivers here were higher energy prices, inflation and currency effects.

At €1,758 million, **EBIT** was €1,357 million lower than in 2021. This included special charges, mainly for the impairment of a plant in Ludwigshafen, Germany.

For the outlook for 2023, see page 154 onward

**Division sales by region**

(Location of customer)

Divisions	Europe	North America	Asia Pacific	South America, Africa, Middle East	Total (million €)
Petrochemicals	60%	27%	8%	5%	10,546
Intermediates	40%	20%	37%	3%	4,349

**Divisions, products, applications**

	Products	Customer industries and applications
Petrochemicals	Ethylene, propylene, butadiene, benzene, alcohols, solvents, plasticizers, alkylene oxides, glycols, acrylic monomers, styrene and polystyrene, styrenic foams, superabsorbents	Chemical, plastics, construction, detergent, hygiene, automotive, packaging and textile industries; production of paints, coatings, cosmetics, oilfield and paper chemicals  Use in the BASF Verbund
Intermediates	Basic products: butanediol and derivatives, alkylamines and alkanolamines, neopentyl glycol, formic and propionic acid  Specialties: specialty amines such as tertiary butylamine and polyetheramine, gas treatment chemicals, vinyl monomers, acid chlorides, chloroformates, chiral intermediates	Chemical, plastics, coatings, construction, automotive, wind energy, pharmaceutical and agricultural industries; production of detergents and cleaners, textile fibers, cosmetics, oilfield and paper chemicals  Use in the BASF Verbund

**Production capacities of selected products in the regions<sup>a</sup>**

Product					Annual capacity (metric tons)
	Europe	North America	Asia Pacific	South America, Africa, Middle East	
Acrylic acid	■	■	■	■	1,510,000
Alkylamines	■	■	■		250,000
Formic acid	■	■	■		305,000
Benzene	■	■	■		910,000
Butadiene	■	■	■		680,000
Butanediol equivalents	■	■	■		550,000
Ethanolamines and derivatives	■		■		440,000
Ethylene	■	■	■		3,480,000
Ethylene oxide	■	■	■		1,445,000
Neopentyl glycol	■	■	■		255,000
Oxo-C4 alcohols (calculated as butyraldehyde)	■	■	■		1,625,000
PolyTHF®	■	■	■		350,000
Propionic acid	■		■		180,000
Propylene	■	■	■		2,680,000
Styropor®/Neopor®	■		■		545,000
Superabsorbents	■	■	■	■	585,000
Plasticizers	■	■			595,000

<sup>a</sup> All capacities are included at 100%, including plants belonging to joint operations and joint ventures.



## Fast-charging stations made from BASF plastics:

Together with our partner Ebusbar<sup>1</sup> we have developed a fast-charging station for electric cars made of the BASF plastics Ultramid® PA, Ultramid® Advanced PPA, Ultradur® PBT and Elastollan® TPU. These high-performance materials are ideally suited for fast chargers as they exhibit excellent mechanical performance and high dimensional stability even under high current and elevated temperatures. To support the rapid growth of the global electromobility market, expansion of the charging infrastructure is essential. BASF expects growth in this segment to outpace the global electromobility market over the next five years and is targeting annual sales of more than €30 million for performance plastics from 2027 onward.

Discover BASF's eMobility plastics at [emobility-plastics.basf.com](https://emobility-plastics.basf.com)

## Materials

The Materials segment comprises the Performance Materials and Monomers divisions. The segment's portfolio includes advanced materials and their precursors for new applications and systems such as isocyanates, polyamides and inorganic basic products, as well as specialties for plastics and plastics processing industries. We differentiate ourselves through specific technology expertise, industry knowledge and customer proximity, and create maximum value in the isocyanate and polyamide value chains.

[For more information on the Materials segment's business model, see page 32 onward](#)

Sales

**€18,443 million**

2021: €15,214 million

EBIT before special items

**€1,840 million**

2021: €2,418 million

<sup>1</sup> Ebusbar is headquartered in Shenzhen, China and specializes in high voltage connection system solutions for new energy vehicles.

## Business review

### At a glance

- Segment sales growth of 21.2% mainly driven by higher prices
- EBIT before special items considerably lower in both operating divisions

The Materials segment increased **sales to third parties** by €3,229 million year on year to €18,443 million in 2022, with both operating divisions contributing. Sales in the Monomers division rose by €1,954 million to €9,877 million. In the Performance Materials division, sales were €1,275 million higher at €8,567 million.

### Factors influencing sales – Materials

	Materials	Performance Materials	Monomers
Volumes	-5.7%	-2.3%	-8.7%
Prices	21.3%	14.1%	28.0%
Portfolio	-0.1%	0.0%	-0.2%
Currencies	5.6%	5.7%	5.6%
<b>Sales</b>	<b>21.2%</b>	<b>17.5%</b>	<b>24.7%</b>

Sales growth was primarily driven by significantly higher prices as a result of the jump in raw materials prices. The Monomers division raised prices in all business areas, especially in the ammonia value chain. The Performance Materials division mainly raised prices for polyurethane systems and engineering plastics in Europe and North America.

Currency effects, mostly relating to the U.S. dollar and the Chinese renminbi, had a clearly positive impact on sales development in both divisions.

### Segment data – Materials

Million €

	2022	2021	+/-
Sales to third parties	18,443	15,214	21.2%
of which Performance Materials	8,567	7,292	17.5%
Monomers	9,877	7,922	24.7%
Intersegment transfers	1,742	1,250	39.4%
Sales including transfers	20,186	16,464	22.6%
Income from operations before depreciation, amortization and special items	2,686	3,208	-16.3%
Income from operations before depreciation and amortization (EBITDA)	2,660	3,162	-15.9%
EBITDA margin	% 14.4	20.8	-
Depreciation and amortization <sup>a</sup>	884	817	8.2%
Income from operations (EBIT)	1,776	2,345	-24.3%
Special items	-63	-73	13.3%
EBIT before special items	1,840	2,418	-23.9%
Return on capital employed (ROCE)	% 14.9	22.8	-
Assets	10,864	11,286	-3.7%
Investments including acquisitions <sup>b</sup>	880	709	24.1%
Research and development expenses	201	193	4.0%

<sup>a</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)  
<sup>b</sup> Additions to property, plant and equipment and intangible assets

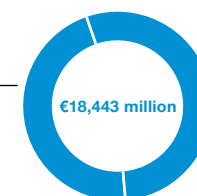
Significantly lower volumes on the back of declining demand over the course of the year had an offsetting effect. In the Monomers division, sales volumes decreased mainly in Europe for methylene diphenyl isocyanate (MDI), propylene oxides and polyols, and polyamide 6.6. Volumes in the Performance Materials division decreased in Asia Pacific and Europe in particular due to weaker demand from the consumer goods industry. Customer demand from the European construction industry also declined.

### Materials – sales

By division

**€8,567 million**

**Performance Materials**  
Share of sales: 46%



**€9,877 million**

**Monomers**  
Share of sales: 54%

At €1,840 million, **income from operations (EBIT) before special items** was €579 million below the 2021 figure. EBIT before special items declined considerably in both operating divisions, especially in the Monomers division due to lower MDI and polyamide 6.6 margins. The decline in earnings in the Performance Materials division was driven by lower volumes and higher fixed costs caused by currency effects, inflation and higher manufacturing costs. This could only be partially offset by higher margins.

**EBIT** decreased by €569 million to €1,776 million. This included special charges of €66 million, largely from changes to the production network for thermoplastic polyurethanes and the discontinuation of our business activities in Russia.

 For the outlook for 2023, see page 154 onward

#### Division sales by region

(Location of customer)

Divisions	Europe	North America	Asia Pacific	South America, Africa, Middle East	Total (million €)
Performance Materials	37%	23%	35%	5%	8,567
Monomers	49%	21%	25%	5%	9,877

#### Divisions, products, applications

	Products	Customer industries and applications
Performance Materials	Engineering plastics, biodegradable plastics, foam specialties, polyurethanes	Automotive, electrical engineering, packaging, footwear, sports and leisure, furniture, household, mechanical engineering, construction, thermal insulation, agriculture, medical technology, renewable energies
Monomers	Isocyanates (MDI, TDI), ammonia, caprolactam, adipic acid, chlorine, urea, glues and impregnating resins, caustic soda, polyamides 6 and 6.6, standard alcoholates, sulfuric and nitric acid	Industries such as plastics, woodworking, furniture, packaging, textile, construction and automotive Use in the BASF Verbund

#### Production capacities of selected products in the regions<sup>a</sup>

Product	Europe	North America	Asia Pacific	South America, Africa, Middle East	Annual capacity (metric tons)
Ammonia	■	■			1,765,000
Chlorine	■				595,000
Urea	■				545,000
Isocyanates	■	■	■		2,700,000
Polyamides 6 and 6.6	■	■	■		925,000
Polyamide precursors	■	■	■		1,420,000
Propylene oxide	■				675,000
Sulfuric acid	■				920,000

<sup>a</sup> All capacities are included at 100%, including plants belonging to joint operations and joint ventures.



## Innovative chemistry at nanoscale

Modern semiconductor nodes usually measure less than five nanometers. Shrinking logic chip size presents unique challenges for leading semiconductor manufacturers to clean extremely thin metal layers in small three-dimensional structures. BASF is the first chemical company to develop wafer cleaning products that make use of a new nanoscale kinetic control mechanism to solve this problem. In this way, we support our customers in the mass production of three-nanometer integrated circuit chips. BASF expects these products to generate annual sales growth of over 15% between 2022 and 2027. The cleaning products are also recyclable, reducing chemical waste and packaging consumption by more than 50% compared with traditional single-use solutions.

Discover innovative chemistry for semiconductors at [basf.com/semiconductors](https://www.basf.com/semiconductors)

## Industrial Solutions

The Industrial Solutions segment consists of the Dispersions & Resins and the Performance Chemicals divisions. It develops and markets ingredients and additives for industrial applications, such as polymer dispersions, resins, additives, electronic materials and antioxidants. We aim to grow organically in key industries such as automotive, plastics, paints and coatings, electronics, and energy and resources, and expand our position by leveraging our comprehensive industry expertise and application know-how.

For more information on the Industrial Solutions segment's business model, see page 32 onward

---

Sales

**€9,992 million**

2021: €8,876 million

EBIT before special items

**€1,091 million**

2021: €1,006 million

---

## Business review

### At a glance

- Considerable sales increase due to higher prices and currency effects
- EBIT before special items rose by €85 million due to earnings growth in the Performance Chemicals division

**Sales to third parties** in the Industrial Solutions segment rose by €1,116 million in 2022 to €9,992 million. This was attributable to considerably higher sales in both operating divisions. The Performance Chemicals division increased sales by €778 million to €3,973 million. Sales in the Dispersions & Resins division rose by €338 million to €6,019 million.

### Factors influencing sales – Industrial Solutions

	Industrial Solutions	Dispersions & Resins	Performance Chemicals
Volumes	-3.4%	-5.2%	-0.3%
Prices	16.0%	14.1%	19.3%
Portfolio	-5.9%	-8.5%	-1.5%
Currencies	6.0%	5.5%	6.9%
<b>Sales</b>	<b>12.6%</b>	<b>6.0%</b>	<b>24.3%</b>

Sales growth was mainly due to higher prices in all business areas and regions, passing on increased prices for raw materials.

The positive sales development was also supported by currency effects, largely from the U.S. dollar and the Chinese renminbi.

### Segment data – Industrial Solutions

Million €

	2022	2021	+/-
Sales to third parties	9,992	8,876	12.6%
of which Dispersions & Resins	6,019	5,681	6.0%
Performance Chemicals	3,973	3,195	24.3%
Intersegment transfers	507	420	20.7%
Sales including transfers	10,499	9,296	12.9%
Income from operations before depreciation, amortization and special items	1,437	1,343	7.0%
Income from operations before depreciation and amortization (EBITDA)	1,443	1,344	7.4%
EBITDA margin	% 14.4	15.1	-
Depreciation and amortization <sup>a</sup>	346	380	-8.8%
Income from operations (EBIT)	1,097	965	13.7%
Special items	6	-42	.
EBIT before special items	1,091	1,006	8.4%
Return on capital employed (ROCE)	% 16.0	15.2	-
Assets	6,318	6,302	0.2%
Investments including acquisitions <sup>b</sup>	322	361	-10.8%
Research and development expenses	172	175	-1.5%

<sup>a</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)  
<sup>b</sup> Additions to property, plant and equipment and intangible assets

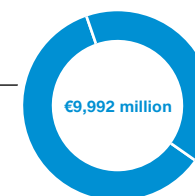
In the Dispersions & Resins division, portfolio effects in particular had a significant offsetting effect, primarily from the disposal of the global pigments business as of June 30, 2021. The Performance Chemicals division recorded slightly negative portfolio effects, mainly due to the divestiture of the kaolin minerals business effective September 30, 2022.

The segment's sales development was also dampened by slightly lower volumes. Lower demand reduced volumes in both operating divisions.

### Industrial Solutions – sales

By division

**€6,019 million**  
**Dispersions & Resins**  
 Share of sales: 60%



**€3,973 million**  
**Performance Chemicals**  
 Share of sales: 40%



The segment's **income from operations (EBIT) before special items** rose slightly compared with the previous year. This was attributable to earnings growth in the Performance Chemicals division, largely from higher margins due to price increases. By contrast, EBIT before special items was slightly lower in the Dispersions & Resins division. This was mainly attributable to the sale of the global pigments business, lower volumes and higher fixed costs. This could only be partially offset by price-driven margin growth.

**EBIT** rose by €132 million compared with 2021 to €1,097 million. This included special income from the divestiture of the production site in Quincy, Florida, and the associated attapulgitic business. Special charges resulted mainly from the discontinuation of our business activities in Russia.

 For the outlook for 2023, see page 154 onward

#### Division sales by region

(Location of customer)

Divisions	Europe	North America	Asia Pacific	South America, Africa, Middle East	Total (million €)
Dispersions & Resins	38%	26%	29%	7%	6,019
Performance Chemicals	36%	26%	26%	12%	3,973

#### Divisions, products, applications

	Products	Customer industries and applications
Dispersions & Resins	Polymer dispersions, resins, additives, electronic materials	Paints and coatings, construction, paper, printing and packaging, adhesives and electronics industries
Performance Chemicals	Antioxidants, light stabilizers and flame retardants for plastic applications	Chemicals, plastics, consumer goods, automotive and transportation industries, as well as energy and resources
	Fuel and refinery additives, polyisobutene, brake fluids and engine coolants, lubricant additives and basestocks, components for metalworking fluids and compounded lubricants	
	Process chemicals for the extraction of oil, gas, metals and minerals; chemicals for enhanced oil recovery	
	Kaolin minerals <sup>a</sup>	

<sup>a</sup> The kaolin minerals business was sold on September 30, 2022.

#### Production capacities of selected products in the regions<sup>a</sup>

Product	Europe	North America	Asia Pacific	South America, Africa, Middle East	Annual capacity (metric tons)
Acrylics dispersions	■	■	■	■	1,839,000
Formulation additives	■	■	■		69,000
Polyisobutene	■		■		265,000

<sup>a</sup> All capacities are included at 100%, including plants belonging to joint operations and joint ventures.



## StarBloc®

StarBloc® is a continuously developed thin-film primer technology from BASF that can make a significant contribution to more efficient, sustainable and profitable automotive coatings. StarBloc® enables paint to be applied with a reduced film thickness of just 20 µm instead of 30 µm. It also offers advantages in the application process, such as a reduced number of application robots, which also saves solvents and cleaning efforts. This means that automotive manufacturers can save a third of the materials required compared with a standard series primer. For OEMs, lower material consumption also leads to a reduction in their CO<sub>2</sub> emissions and lower logistics costs. These environmental and process advantages are convincing automotive manufacturers around the world to switch to StarBloc®. BASF therefore expects annual sales of this product to increase fivefold to more than €20 million as early as 2023 compared with baseline 2021.

Discover StarBloc® at [coatings.basf.com](https://coatings.basf.com)

## Surface Technologies

The Surface Technologies segment comprises the Catalysts and Coatings divisions, which offer chemical solutions for surfaces. Its portfolio serves industries such as the automotive and chemical sectors and includes automotive OEM and refinish coatings, surface treatment, catalysts, battery materials and precious and base metal services. We improve our customers' applications and processes with tailored products, technologies and solutions, and support them through geographical proximity across all regions. The aim is to drive BASF's growth by leveraging our portfolio of technologies and expanding our position as a leading and innovative provider of battery materials and surface coatings solutions.

For more information on the Surface Technologies segment's business model, see page 32 onward

Sales

**€21,283 million**

2021: €22,659 million

EBIT before special items

**€902 million**

2021: €800 million

## Business review

## At a glance

- Considerable sales decrease due to lower volumes and prices
- Considerable growth in EBIT before special items in both operating divisions

**Sales to third parties** in the Surface Technologies segment declined by €1,376 million compared with the previous year to €21,283 million. Sales growth of €780 million to €4,220 million in the Coatings division was unable to compensate for the considerable decrease in the Catalysts division, where sales declined by €2,157 million to €17,062 million.

## Factors influencing sales – Surface Technologies

	Surface Technologies	Catalysts	Coatings
Volumes	-13.0%	-16.2%	5.1%
Prices	-2.7%	-5.4%	12.4%
Portfolio	3.4%	4.1%	-0.8%
Currencies	6.3%	6.3%	6.0%
<b>Sales</b>	<b>-6.1%</b>	<b>-11.2%</b>	<b>22.7%</b>

The segment's sales decrease was mainly attributable to significantly lower volumes in the Catalysts division's precious metal trading business. Volume growth in the chemical and refinery catalysts businesses was unable to compensate for this. Sales volumes were significantly higher in the Coatings division, mainly due to improved supply chain conditions in North America and the government stimulus program in China.

## Segment data – Surface Technologies

Million €

	2022	2021	+/-
Sales to third parties	21,283	22,659	-6.1%
of which Catalysts	17,062	19,219	-11.2%
Coatings	4,220	3,440	22.7%
Intersegment transfers	198	171	15.6%
Sales including transfers	21,481	22,831	-5.9%
Income from operations before depreciation, amortization and special items	1,464	1,277	14.6%
Income from operations before depreciation and amortization (EBITDA)	1,264	1,243	1.6%
EBITDA margin	% 5.9	5.5	-
Depreciation and amortization <sup>a</sup>	651	483	35.0%
Income from operations (EBIT)	612	761	-19.5%
Special items	-290	-39	-637.1%
EBIT before special items	902	800	12.7%
Return on capital employed (ROCE)	% 3.9	5.6	-
Assets	14,899	13,769	8.2%
Investments including acquisitions <sup>b</sup>	740	1,469	-49.6%
Research and development expenses	335	296	13.1%

<sup>a</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)  
<sup>b</sup> Additions to property, plant and equipment and intangible assets

The sharp decline in precious metal prices had a negative impact on sales. At €12,336 million, sales in precious metal trading and precious metal sales in the automotive catalysts business<sup>1</sup> were considerably below the prior-year figure (€15,726 million) due to lower volumes and prices. Significant price increases across all business areas in the Coatings division, particularly in Europe and in the region South America, Africa, Middle East, were unable to compensate for this.

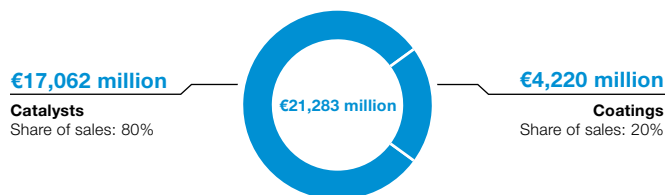
Currency effects, largely relating to the U.S. dollar and the Chinese renminbi, had a positive impact on sales.

Portfolio effects in the Catalysts division following the acquisition of a majority shareholding in BASF Shanshan Battery Materials on August 31, 2021, also had a positive impact on sales.

<sup>1</sup> Sales, volume growth, EBITDA before special items and the EBITDA margin before special items excluding precious metals for the BASF Group and for the Surface Technologies segment are presented under Selected Key Figures Excluding Precious Metals on page 294.

**Surface Technologies – sales**

By division



**Income from operations (EBIT) before special items** rose by €102 million to €902 million. This was driven by considerable earnings growth in both operating divisions. The increase in EBIT before special items in the Catalysts division was largely attributable to higher earnings contributions from the automotive catalysts and battery materials businesses. In the Coatings division, EBIT before special items increased mainly as a result of higher prices in all regions and higher volumes, especially in the automotive OEM coatings business. This more than offset increases in raw materials prices and fixed costs, primarily due to inflation and higher energy costs.

At €612 million, **EBIT** was €148 million below the prior-year figure. EBIT in 2022 included special charges, mainly for impairments in connection with the agreed divestiture of the production site in De Meern, Netherlands. Other special charges mainly related to the carve-out of the newly established BASF Environmental Catalyst and Metal Solutions unit within the Catalysts division and the integration of the acquired BASF Shanshan companies.

For the outlook for 2023, see page 154 onward

**Division sales by region**

(Location of customer)

Divisions	Europe	North America	Asia Pacific	South America, Africa, Middle East	Total (million €)
Catalysts	26%	33%	36%	5%	17,062
Coatings	30%	25%	27%	18%	4,220

**Divisions, products, applications**

	Products	Customer industries and applications
Catalysts	Automotive catalysts, process catalysts and technologies, battery materials, precious and base metal services	Automotive, chemical and pharmaceutical industries, refineries, battery manufacturers  Solutions for the protection of air quality as well as the production of fuels, chemicals, plastics and battery materials, battery material recycling
Coatings	Coatings solutions for automotive applications, technology and system solutions for surface treatments, decorative paints	Automotive industry, body shops, steel industry, aviation, aluminum applications in the architecture and construction industries, household appliances, painting businesses and private consumers



## Texapon® SFA

Texapon® SFA is a very mild, innovative and sustainable anionic surfactant. It is 99% derived from renewable feedstocks, certified as sustainable according to the RSPO mass balance standard, readily biodegradable and suitable as an alternative to sulfate-based surfactants. The product is extremely gentle on the skin and eyes, making it especially suitable for delicate baby skin and formulas for tear-free shampoo products. When added to polymer-free shampoo formulations, for example, Texapon® SFA makes it easier to comb hair. It has also been proven to reinforce the beneficial effect of formulations with cationic polymers. BASF aims to achieve annual sales of over €20 million with this product.

Discover Texapon® SFA at [carecreations.basf.com](https://carecreations.basf.com)

## Nutrition & Care

The Nutrition & Care segment, consisting of the Care Chemicals and Nutrition & Health divisions, serves the growing needs of food and feed producers as well as the pharmaceutical, cosmetics, detergents and cleaners industries. We offer solutions for the increasingly sophisticated demands of fast-moving consumer goods, as well as for technical applications, crop protection and nutrition. We strive to expand our position as a leading provider of ingredients for consumer goods in the areas of nutrition, home and personal care. Our goal is to drive strong organic growth. We focus on growth markets, sustainability trends, and digital business models in consumer markets.

For more information on the Nutrition & Care segment's business model, see page 32 onward

Sales

**€8,066 million**

2021: €6,442 million

EBIT before special items

**€618 million**

2021: €497 million

Business review

At a glance

- Sales increase of 25.2% mainly driven by higher prices
- EBIT before special items 24.3% higher due to considerable earnings growth in the Care Chemicals division

Sales to third parties in the Nutrition & Care segment rose by €1,624 million to €8,066 million in 2022. This was primarily attributable to the Care Chemicals division, which recorded sales growth of €1,180 million to €5,619 million. In the Nutrition & Health division, sales rose by €444 million to €2,447 million.

Factors influencing sales – Nutrition & Care

	Nutrition & Care	Care Chemicals	Nutrition & Health
Volumes	-1.4%	-4.1%	4.7%
Prices	23.3%	27.9%	13.1%
Portfolio	-1.2%	-1.2%	-1.3%
Currencies	4.5%	4.0%	5.7%
<b>Sales</b>	<b>25.2%</b>	<b>26.6%</b>	<b>22.2%</b>

The segment's positive sales performance was mainly due to higher prices in all business areas, primarily resulting from cost increases for raw materials and energy.

Positive currency effects, largely relating to the U.S. dollar and the Chinese renminbi, had a positive impact on sales.

Volumes were slightly lower overall, dampening the segment's sales performance. This was driven by the decline in volumes in the Care Chemicals division. Here, higher volumes in the personal care solutions business only partially compensated for the volumes decrease in the remaining business areas.

Segment data – Nutrition & Care

Million €

	2022	2021	+/-
Sales to third parties	8,066	6,442	25.2%
of which Care Chemicals	5,619	4,439	26.6%
Nutrition & Health	2,447	2,003	22.2%
Intersegment transfers	588	491	19.8%
Sales including transfers	8,654	6,933	24.8%
Income from operations before depreciation, amortization and special items	1,067	909	17.4%
Income from operations before depreciation and amortization (EBITDA)	1,055	967	9.1%
EBITDA margin %	13.1	15.0	-
Depreciation and amortization <sup>a</sup>	450	413	8.8%
Income from operations (EBIT)	605	554	9.3%
Special items	-13	57	.
EBIT before special items	618	497	24.3%
Return on capital employed (ROCE) %	7.5	8.2	-
Assets	8,038	7,231	11.2%
Investments including acquisitions <sup>b</sup>	642	654	-1.8%
Research and development expenses	172	172	-0.3%

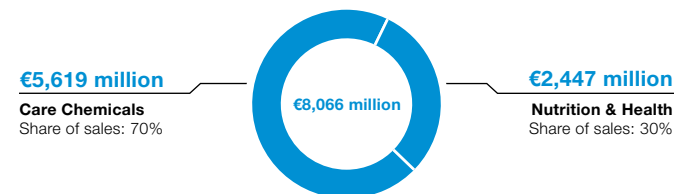
<sup>a</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)  
<sup>b</sup> Additions to property, plant and equipment and intangible assets

The Nutrition & Health division increased volumes, especially in the animal nutrition and pharmaceutical business areas. Lower volumes in the aroma ingredients business had an offsetting effect.

Portfolio effects from the sale of the production site in Kankakee, Illinois, as of May 31, 2021, had a negative impact on sales in both operating divisions.

Nutrition & Care – sales

By division



**Income from operations (EBIT) before special items** rose by €121 million to €618 million year on year. This was due to the strong increase in earnings in the Care Chemicals division, mainly from price-driven margin growth. Higher fixed costs, largely as a result of inflation and currency effects, was an offsetting factor. By contrast, EBIT before special items in the Nutrition & Health division was considerably below the prior-year level. This was primarily attributable to higher costs, largely from increased energy costs and turnarounds.

**EBIT** rose by €52 million compared with the previous year to €605 million. It included special charges for the restructuring of the Nutrition & Health division and for the discontinuation of our business activities in Russia. In the previous year, EBIT included special income from the sale of the production site in Kankakee, Illinois.

For the outlook for 2023, see page 154 onward

#### Division sales by region

(Location of customer)

Divisions	Europe	North America	Asia Pacific	South America, Africa, Middle East	Total (million €)
Care Chemicals	53%	18%	20%	9%	5,619
Nutrition & Health	37%	19%	33%	11%	2,447

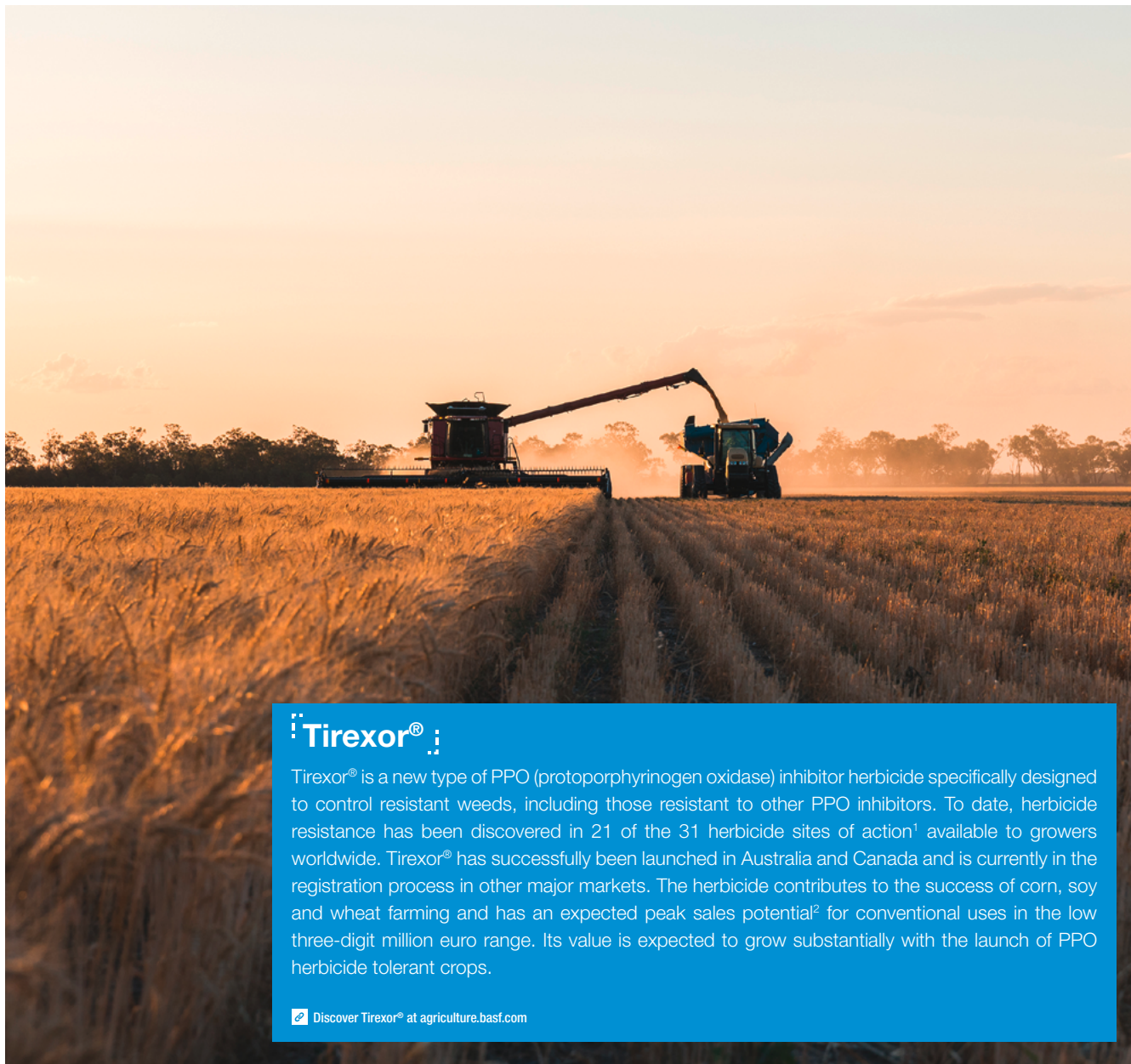
#### Divisions, products, applications

	Products	Customer industries and applications
Care Chemicals	<p>Ingredients for skin and hair cleansing and care products, such as emollients, cosmetic active ingredients, polymers and UV filters</p> <p>Solutions and ingredients for detergents and cleaners in household, institutions or industry, such as surfactants, enzymes, chelating agents, water-soluble polymers, biocides and products for optical effects</p> <p>Chemical ingredients and processing additives, for example for crop protection, excipients for chemical processes such as emulsion polymerization, metal surface treatments or textile processing, as well as products for concrete additives, biofuels and other industrial applications</p>	<p>Cosmetics, detergent and cleaner industry, agrochemical industry, technical applications for various industries</p>
Nutrition & Health	<p>Additives for the food and feed industries, such as vitamins, carotenoids, sterols, enzymes, emulsifiers, omega-3 fatty acids</p> <p>Industrial enzymes for bioethanol and food production, natural and synthetic flavors and fragrances, such as citral, geraniol, citronellol, L-menthol and linalool, Isobionics® Santalol, valencene and nootkatone</p> <p>Excipients for the pharmaceutical industry and selected, high-volume active pharmaceutical ingredients, such as ibuprofen and omega-3 fatty acids</p>	<p>Food and feed industries, flavor and fragrance industry, pharmaceutical industry and bioethanol industry</p>

#### Production capacities of selected products in the regions<sup>a</sup>

Product	Europe	North America	Asia Pacific	South America, Africa, Middle East	Annual capacity (metric tons)
Anionic surfactants	■	■	■	■	550,000
Citral	■		■		78,000
Chelating agents	■	■		■	170,000
Methane sulfonic acid	■				50,000
Nonionic surfactants	■	■	■		650,000

<sup>a</sup> All capacities are included at 100%, including plants belonging to joint operations and joint ventures.



## Tirexor®

Tirexor® is a new type of PPO (protoporphyrinogen oxidase) inhibitor herbicide specifically designed to control resistant weeds, including those resistant to other PPO inhibitors. To date, herbicide resistance has been discovered in 21 of the 31 herbicide sites of action<sup>1</sup> available to growers worldwide. Tirexor® has successfully been launched in Australia and Canada and is currently in the registration process in other major markets. The herbicide contributes to the success of corn, soy and wheat farming and has an expected peak sales potential<sup>2</sup> for conventional uses in the low three-digit million euro range. Its value is expected to grow substantially with the launch of PPO herbicide tolerant crops.

Discover Tirexor® at [agriculture.basf.com](https://agriculture.basf.com)

## Agricultural Solutions

In the Agricultural Solutions segment, we aim to further strengthen our market position as an integrated provider. Our offer comprises seeds and seed treatment products, as well as fungicides, herbicides, insecticides and biological solutions, complemented by digital farming solutions to help farmers achieve a better yield. Our strategy is based on innovation-driven organic growth and targeted portfolio expansion through acquisitions. Customer needs, societal expectations and reducing environmental impacts are what motivate us to innovate.

 For more information on the Agricultural Solutions segment's business model, see page 32 onward

Sales

**€10,280 million**

2021: €8,162 million

EBIT before special items

**€1,220 million**

2021: €715 million

<sup>1</sup> International herbicide-resistant weed database

<sup>2</sup> Peak sales are the highest sales value to be expected from one year. For more information, see the Glossary on page 295.



**Business review**

**At a glance**

- Sales of €10,280 million, considerably above the prior year due to higher prices, positive currency effects and volume growth
- EBIT before special items of €1,220 million, 70.6% above the 2021 figure

**Sales to third parties** in the Agricultural Solutions segment were €10,280 million in 2022, €2,118 million above the previous year. Higher prices in all regions contributed most to the positive development. Sales growth was also driven by exchange rate effects and higher volumes.

**Factors influencing sales – Agricultural Solutions**

Volumes	5.7%
Prices	12.4%
Portfolio	-0.6%
Currencies	8.4%
<b>Sales</b>	<b>25.9%</b>

In **Europe**, sales rose by €302 million year on year to €2,430 million. This was mainly due to significantly higher price levels. Sales development was supported by strong volume growth, especially in fungicides and herbicides, while negative currency effects, mainly from the Turkish lira, had a dampening effect.

In **North America**, sales rose by €922 million to €4,007 million. This was primarily driven by significantly higher prices and positive currency effects. Sales were also boosted by higher herbicide volumes in particular.

**Segment data – Agricultural Solutions**

Million €

	2022	2021	+/-
Sales to third parties	10,280	8,162	25.9%
Intersegment transfers	40	40	1.4%
Sales including transfers	10,320	8,202	25.8%
Income from operations before depreciation, amortization and special items	1,928	1,375	40.2%
Income from operations before depreciation and amortization (EBITDA)	1,922	1,358	41.6%
EBITDA margin %	18.7	16.6	-
Depreciation and amortization <sup>a</sup>	701	662	5.9%
Income from operations (EBIT)	1,221	696	75.5%
Special items	1	-19	.
EBIT before special items	1,220	715	70.6%
Return on capital employed (ROCE) %	7.1	4.5	-
Assets	17,071	15,305	11.5%
Investments including acquisitions <sup>b</sup>	414	347	19.0%
Research and development expenses	944	904	4.4%

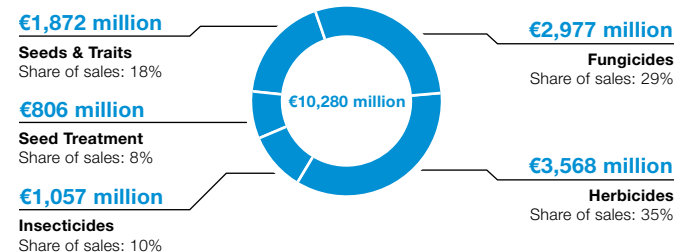
<sup>a</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)  
<sup>b</sup> Additions to property, plant and equipment and intangible assets

Sales in **Asia** amounted to €1,130 million, an increase of €172 million compared with the previous year. This was mainly due to higher volumes, especially of herbicides. Sales were also positively impacted by currency effects and significantly higher price levels.

Sales in the region **South America, Africa, Middle East** amounted to €2,712 million, €722 million above the previous year, and were driven by significantly higher prices and positive currency effects, both primarily in Brazil. Slightly higher volumes, especially for herbicides and seed treatment products, also contributed to the positive development.

**Agricultural Solutions – sales**

By indication and sector



At €1,220 million, **income from operations (EBIT) before special items** was €505 million above the 2021 figure. The increase was primarily due to strong sales growth. This more than compensated for increased raw materials and energy prices and higher fixed costs.

**EBIT** amounted to €1,221 million, €525 million higher than in the previous year.

 For the outlook for 2023, see page 154 onward

**Agricultural Solutions sales by region**

(Location of customer)

Division	Europe	North America	Asia Pacific	South America, Africa, Middle East	Total (million €)
Agricultural Solutions	24%	39%	11%	26%	10,280

**Products and applications**

Indications and sectors	Applications	Selected products
Fungicides	Protecting crops against harmful fungal diseases, improving plant health, securing yield and harvest quality with chemical and biological solutions	Boscalid, dimethomorph, F500®, Initium®, metiram, metrafenone, Revyso®, Serifel®, Xemium®
Herbicides	Reducing competition from weeds for nutrients, water and sunlight to secure yield and harvest quality	Dicamba, dimethenamid-p, glufosinate, imazamox, Kixor®, Luximo®, pendimethalin, Tirexor®, topramezone
Insecticides	Chemical and biological solutions to combat insect pests in agriculture and beyond, such as in the areas of public health, professional pest control and landscape maintenance	Alpha-cypermethrin, Broflanilide, chlorfenapyr, fipronil, Inscalis®, Interceptor®, Nealta®, teflubenzuron, Termidor®
Seed Treatment	Improving seeds' potential with chemical and biological protection as well as inoculants	ILEVO®, Integral® Pro, Poncho Votivo®, Relenya®, Seperit®, Systiva®, Teraxxa™, Vault® HP
Seeds & Traits	Seeds and traits for key field crops such as canola (oilseed rape), cotton, soybean and wheat, as well as vegetable seeds	Credenz®, FiberMax®, InVigor®, LibertyLink®, Nunhems®, Stoneville®

## Other

**Sales** in Other amounted to €4,368 million, €703 million above the prior-year figure. The increase was mainly due to sales growth in commodity trading.

**EBIT before special items** improved by €12 million year on year to –€749 million. This was primarily attributable to higher income from long-term incentive programs, among other factors. Income also arose from hedging transactions.

**EBIT** improved by €236 million to –€523 million. This included special income from the partial divestiture of the interest in the Hollandse Kust Zuid wind farm in April 2022.

### Financial data – Other<sup>a</sup>

Million €

	2022	2021	+/-
Sales	4,368	3,666	19.2%
Income from operations before depreciation, amortization and special items <sup>b</sup>	–594	–607	2.2%
Income from operations before depreciation and amortization (EBITDA) <sup>b</sup>	–368	–602	38.9%
Depreciation and amortization <sup>c</sup>	155	157	–1.4%
Income from operations (EBIT) <sup>b</sup>	–523	–759	31.1%
Special items	226	3	.
EBIT before special items <sup>b</sup>	–749	–761	1.6%
of which costs for cross-divisional corporate research	–325	–355	8.5%
costs of corporate headquarters	–258	–255	–1.2%
other businesses	–43	62	.
foreign currency results, hedging and other measurement effects	33	–62	.
miscellaneous income and expenses	–156	–151	–3.3%
Assets <sup>b, d</sup>	16,803	23,007	–27.0%
Investments including acquisitions <sup>e</sup>	268	183	46.8%
Research and development expenses	381	378	0.7%

<sup>a</sup> Information on the composition of Other can be found in Note 5 to the Consolidated Financial Statements from page 219 onward.

<sup>b</sup> BASF's ethylene value chain was reorganized internally as of January 1, 2022. In this connection, the polyolefins and styrenics businesses of the joint venture BASF-YPC Company Ltd., Nanjing, China, which were previously reported under Other, were allocated to the Petrochemicals division. The prior-year figures have been adjusted. This reduced income from integral companies accounted for using the equity method, EBITDA before special items, EBITDA, EBIT and EBIT before special items in Other by €118 million in 2021 and increased these indicators in the Petrochemicals division accordingly (rounding differences are possible). The operating assets were also reallocated as part of the reorganization and increased the Chemicals segment's assets by €114 million as of December 31, 2021.

<sup>c</sup> Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)

<sup>d</sup> Includes assets of businesses recognized under Other and reconciliation to assets of the BASF Group

<sup>e</sup> Additions to property, plant and equipment and intangible assets

## Non-Integral Oil and Gas Business

BASF holds 72.7% of the ordinary shares in Wintershall Dea AG; 27.3% are held by LetterOne. The preference shares previously held by BASF were converted into ordinary shares on May 1, 2022.

### Macroeconomic environment

The price of a barrel of reference Brent crude oil averaged \$101 in 2022 (2021: \$71 per barrel). Gas prices on the European spot markets averaged €124.16 per MWh (\$38.01 per mmBtu) for the year, more than double the prior-year level and more than ten times the 2020 level. The sharp increase in gas prices was driven by the extremely tight European gas market in 2022 due to the significant reduction in gas supplied by Russia to the E.U.

### Equity-accounted income of the oil and gas business

Wintershall Dea AG contributed –€4,853 million to net income from shareholdings in 2022 (2021: –€344 million). This included special items totaling –€6,307 million, primarily resulting from impairments on Wintershall Dea's Russian assets, the financing of Nord Stream 2, Wintershall Dea's participating interest in Nord Stream AG, and on assets in the German gas transportation business. In the previous year, lower oil and gas price forecasts and a divestiture of assets in Argentina led to impairments of €581 million.

BASF received dividend payments of approximately €1 billion from Wintershall Dea in 2022. In the previous year, dividend payments from Wintershall Dea amounted to €488 million.

Wintershall Dea conducts production, development<sup>1</sup> and exploration activities in the following countries:

- Egypt (production, development, exploration)
- Algeria (production)
- Argentina (production, development)
- Denmark (production, exploration)
- Germany (production, development, exploration)
- Libya (production)
- Mexico (production, development, exploration)
- Netherlands (production, development, exploration)
- Norway (production, development, exploration)
- Russia (activities deconsolidated in Q4 2022)
- United Arab Emirates (development)
- United Kingdom (production, development, exploration)

Wintershall Dea is also active in gas transportation. This includes interests in GASCADE Gastransport GmbH and OPAL Gastransport GmbH & Co. KG held by WIGA Transport Beteiligungs-GmbH & Co. KG, and the interest in Nord Stream AG held directly by Wintershall Dea AG.

### Current developments in the Russian business

Due to increasing restrictions on its ability to influence its investments in Russia, largely as a result of government interference, Wintershall Dea deconsolidated its Russian segment in the fourth quarter of 2022 and subsequently recognized it as a financial asset measured at fair value in accordance with IFRS 9. This figure is materially impaired by interference by the Russian government, especially in the second half of 2022. This significantly burdened earnings at Wintershall Dea and the BASF Group. Together with further impairments on assets relating to the Russian business – Wintershall Dea's participating interests in Nord Stream AG and

WIGA Transport Beteiligungs-GmbH & Co. KG, as well as the loan to Nord Stream 2 AG – the special charge in income from non-integral shareholdings accounted for using the equity method amounted to €6,517 million. On January 17, 2023, Wintershall Dea announced its full exit from Russia in compliance with all legal requirements.

### Wintershall Dea's activities in 2022

Wintershall Dea produced 218 million BOE (barrels of oil equivalent) in 2022 (2021: 231 million BOE), of which around 157 million BOE of gas (2021: 165 million BOE of gas). This corresponded to a daily production of 597 thousand BOE (2021: 634 thousand BOE).

Several development projects were successfully completed in 2022, including the Norwegian projects Nova, Dvalin and Njord. Production at Nova and Njord started in July and December 2022, respectively; Dvalin is scheduled to come on stream in early 2023.

Field development permits for the Dvalin North and Maria Phase 2 projects in Norway were applied for at the end of 2022. To further develop CMA-1 in Argentina, the CMA-1 consortium reached a final investment decision for the Fénix gas project in October 2022.

Wintershall Dea drilled 14 exploration wells in 2022, half of which were successful. The result of one well is still pending.

At the beginning of 2022, Wintershall Dea reached an agreement on the sale of its 50% interest in the unconventional oil blocks it operated in Argentina and decided to terminate its operations in Brazil.

<sup>1</sup> Development activities include projects before and after the FID (final investment decision)

In February 2022, Wintershall Dea announced that it had divested its interest in the Gulf of Suez concession to the Egyptian General Petroleum Corporation, Cairo, Egypt, with retroactive effect as of January 1, 2022.

In October 2022, Wintershall Dea signed an agreement with Hokchi Energy, the Mexican subsidiary of Pan American Energy, to acquire a 37% participating interest in the producing Hokchi Block.

In November 2022, Wintershall Dea sold its operated Brage oil field, its full interest in the Ivar Aasen oil field and a 6% interest in the Nova field development project to OKEA, Trondheim, Norway.

As part of its climate strategy, Wintershall Dea aims to achieve net zero emissions<sup>1</sup> from upstream activities by 2030. In addition, the company is investing in various projects that aim to contribute to global decarbonization.

Wintershall Dea and several partners have initiated the BlueHyNow project on the German North Sea coast in Wilhelmshaven, which aims to produce hydrogen from natural gas. CO<sub>2</sub> separated during the production of hydrogen will be shipped by sea to offshore locations in Norway and Denmark and stored under the seabed in underground reservoirs.

Together with Equinor, Stavanger, Norway, Wintershall Dea plans to pursue the development of an extensive and safe Carbon Capture and Storage (CCS) value chain connecting continental European CO<sub>2</sub> emitters to offshore storage sites on the Norwegian Continental Shelf (Nor-Ge project).

Wintershall Dea and its partner CapeOmega, Bergen, Norway, have been awarded a CO<sub>2</sub> storage licence in the Norwegian North Sea by the Ministry of Petroleum and Energy. Wintershall Dea will be the operator of this licence, which is estimated to hold a CO<sub>2</sub> storage injection capacity of up to 5 million tons per year.

An initial public offering (IPO) of Wintershall Dea AG would be virtually impossible in the current environment since the start of the Russian war against Ukraine. BASF stands by its strategic goal of divesting its share in Wintershall Dea AG and accordingly, continues to target an IPO of Wintershall Dea.

<sup>1</sup> Scope 1 and 2 emissions from upstream activities operated and non-operated by Wintershall Dea at an equity basis

## Regional Results

### Regions

Million €

	Sales by location of company			Sales by location of customer		
	2022	2021	+/-	2022	2021	+/-
Europe	35,821	31,594	13.4%	33,922	30,531	11.1%
of which Germany	15,170	12,722	19.2%	8,977	7,300	23.0%
North America	24,343	21,935	11.0%	23,869	20,867	14.4%
Asia Pacific	21,309	20,632	3.3%	21,823	21,234	2.8%
of which Greater China	11,850	12,018	-1.4%	11,624	12,036	-3.4%
South America, Africa, Middle East	5,854	4,437	31.9%	7,712	5,965	29.3%
<b>BASF Group</b>	<b>87,327</b>	<b>78,598</b>	<b>11.1%</b>	<b>87,327</b>	<b>78,598</b>	<b>11.1%</b>

### Europe

Sales at companies located in Europe rose by 13.4% compared with the previous year to €35,821 million. This was primarily the result of strong sales growth in the Materials and Chemicals segments. The Nutrition & Care and Agricultural Solutions segments and Other also recorded considerably higher sales. Sales rose slightly in the Industrial Solutions segment but declined considerably in the Surface Technologies segment.

The sales increase was mainly attributable to higher prices in all segments. Sales growth was supported by currency effects. Lower sales volumes in all segments except Agricultural Solutions had an offsetting effect. Sales performance was also impacted by negative portfolio effects, particularly in the Industrial Solutions segment following the divestiture of the global pigments business in the previous year.

### North America

Sales at companies based in North America rose by 11.0% to €24,343 million compared with 2021. In local currency terms, they were 1.0% below the prior-year figure. The positive sales development was mainly attributable to considerable sales growth in the Materials and Agricultural Solutions segments. Sales were also considerably higher in the Industrial Solutions segment, in Other and in the Chemicals and Nutrition & Care segments. Only the Surface Technologies segment posted a strong decrease.

In addition to positive currency effects, substantial price increases in almost all segments contributed to sales growth. This more than compensated for significantly lower precious metal prices in the Surface Technologies segment. Sales were reduced by lower volumes, mainly driven by the decline in precious metal trading in the Surface Technologies segment. Slightly negative portfolio effects also impacted sales performance in the region. This mainly resulted from the divestiture of the global pigments business in the Industrial Solutions segment.

### Asia Pacific

Sales at companies headquartered in the Asia Pacific region were 3.3% above the prior-year figure, at €21,309 million. In local currency terms, sales declined by 2.8%. This was mainly due to considerable sales growth in the Materials, Nutrition & Care, Industrial Solutions and Agricultural Solutions segments. The Surface Technologies segment achieved slightly higher sales. The Chemicals segment recorded a considerable decline in sales. In Greater China, sales decreased by 1.4% to €11,850 million.

Sales growth in the region was driven by positive currency effects and portfolio effects following the formation of BASF Shanshan Battery Materials in the Surface Technologies segment. Higher prices, mainly in the Industrial Solutions, Nutrition & Care and Materials segments, also contributed to the sales increase. Recurring production and supply chain disruptions resulting from the long-running, strict zero-COVID policy in China hampered sales development in the region and led to a considerable decline in volumes, especially in the Surface Technologies and Chemicals segments.

### South America, Africa, Middle East

Sales at companies located in South America, Africa and the Middle East rose by 17.0% in local currency terms and by 31.9% in euros to €5,854 million. All segments recorded strong sales growth, especially Agricultural Solutions.

The positive sales development was primarily due to significantly higher prices and clearly positive currency effects in all segments. Sales growth was supported by slightly higher volumes overall, mainly driven by the Industrial Solutions, Nutrition & Care and Surface Technologies segments.

## E.U. Taxonomy

**In accordance with the E.U. Taxonomy Regulation and the supplementary delegated acts, the Nonfinancial Statement includes the proportion of the Group's taxonomy-eligible and, for the first time, taxonomy-aligned turnover, capital expenditures and operating expenditures for 2022. This applies to the environmental objectives of climate change mitigation and climate change adaptation currently addressed in the E.U. taxonomy. BASF activities that are not yet covered by the E.U. taxonomy, and as such, are not relevant under the taxonomy, are generally reported as taxonomy-non-eligible in accordance with the delegated acts. These include large parts of BASF's activities that may nevertheless be in line with the E.U.'s environmental objectives.**

In order to derive the financial indicators, an analysis of our product portfolio identified the following economic activities within the meaning of the E.U. taxonomy under the environmental objective of **climate change mitigation** as relevant for BASF:

- Manufacture of batteries<sup>1</sup>
- Manufacture of energy efficiency equipment for buildings<sup>1</sup>
- Manufacture of hydrogen
- Manufacture of soda ash
- Manufacture of chlorine
- Manufacture of organic basic chemicals
- Manufacture of anhydrous ammonia
- Manufacture of nitric acid
- Manufacture of plastics in primary form

Compared with 2021, the activity "manufacture of carbon black" was no longer relevant in 2022 due to a plant shutdown.

To avoid double counting, assignment to an enabling activity is only made if a taxonomy-eligible product or project had not already been

included under another activity. BASF products also enable the production of technologies for renewable energy or low-carbon mobility. However, since the E.U. taxonomy focuses on the manufacture of technologies and thus excludes precursors, we have classified these activities as non-eligible under the E.U. taxonomy.

In addition to our core business, the production of chemical products, we have identified further BASF activities that can be allocated to the following activities presented in the E.U. taxonomy: afforestation; electricity generation using solar photovoltaic technology; production of heat/cool from bioenergy; production of heat/cool using waste heat; electricity generation from fossil gaseous fuels; high-efficiency co-generation of heat/cool and power from fossil gaseous fuels; production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system; close to market research, development and innovation. These activities made no material contribution<sup>2</sup> and were therefore generally classified as taxonomy-non-eligible. For the purposes of the templates set out in Annex XII to the Delegated Regulation 2021/2178, we would like to point out that we conduct activities in the areas of electricity generation, co-generation of power and heat/cool, and production of heat/cool from fossil gas. However, as presented above, these are not material. Furthermore, we would like to point out that we do not conduct any nuclear energy activities.

Buildings constructed and operated by BASF, traffic facilities and central water supply and wastewater management systems may also fall under the E.U. taxonomy's description of activities in the areas "Water supply, sewerage, waste management and remediation," "Transport," and "Construction and real estate activities." Potential contributions from such infrastructure-related activities that supported production were likewise immaterial and were generally classified as taxonomy-non-eligible.

BASF does not report any taxonomy-eligible activities under the environmental objective of **climate change adaptation**. This is firstly to avoid double counting with economic activities already

recorded under the climate change mitigation objective. Secondly, in accordance with the notice issued by the E.U. Commission, a prerequisite for taxonomy eligibility under the adaptation objective is the submission of an investment plan for implementing adaptation solutions. BASF has not prepared any such plan.

### Taxonomy-eligible turnover, capital expenditures and operating expenditures

We assessed the taxonomy eligibility of our turnover based on sales as defined and reported in the Consolidated Financial Statements of the BASF Group. Taxonomy-eligible turnover accounted for 13.3% of total sales in 2022. The largest contributions were from the activities "manufacture of plastics in primary form" and "manufacture of organic basic chemicals." Taxonomy-eligible capital expenditures (including acquisitions and excluding goodwill in accordance with the E.U. taxonomy) accounted for 18.6% of the total investments reported in the Consolidated Financial Statements. Capital expenditures on the "manufacture of organic basic chemicals" and in the "manufacture of batteries" made the greatest contribution. Operating expenditures include non-capitalized costs that relate to research and development,<sup>3</sup> maintenance and repair, and short-term lease expenses. They are not reported in the Consolidated Financial Statements in this form. All of the capital expenditures and operating expenditures of a production facility with a taxonomy-eligible activity are counted as taxonomy-eligible. Taxonomy-eligible operating expenditures accounted for 10.4% of total operating expenditures. The largest contributions were from the activities "manufacture of organic basic chemicals" and "manufacture of plastics in primary form."

### Taxonomy-aligned turnover, capital expenditures and operating expenditures

The taxonomy-eligible activities identified by BASF can be classified as taxonomy-aligned if they make a substantial contribution to climate change mitigation and do no significant harm to other environmental objectives and, at the same time, ensure minimum social safeguards. The contribution to climate change mitigation and harm

<sup>1</sup> Enabling activity within the meaning of the E.U. taxonomy

<sup>2</sup> The production of heat/cool using waste heat was also partially covered by other activities.

<sup>3</sup> The criteria for the activity "close to market research, development and innovation" (for example, a technology readiness level of at least six) were used to determine taxonomy-eligible research and development costs.

to other environmental objectives were reviewed in a three-step process. The **first step** involved a two-part analysis based on BASF's internal product databases:

- The manufacture of products is analyzed with respect to the use of critical substances in accordance with Annex C<sup>1</sup> of the E.U. Commission's Delegated Regulation 2021/2139 to ensure significant pollution prevention or control according to the E.U. taxonomy. This also includes use in the production process. An assessment of the "essential use" of the critical substances used in the sense of the opening clauses according to Annex C, letters f) and g) has not been performed. The E.U. Commission announced further regulations on this in 2023.
- Plastics in primary form are analyzed with respect to the share of renewable raw materials in the product. They are only considered further if this share is at least 5% and thus potentially make a substantial contribution to climate change mitigation through partial or complete production from renewable raw materials. Shares allocated using mass balance approaches (see page 121) are not taken into account here because their acceptance under the E.U. taxonomy has not yet been definitively clarified. For this reason, BASF products based on chemically recycled raw materials are not considered further in the assessment at present either. Mechanical recycling does not play any role for BASF here.

In the **second step**, it was assessed whether the potentially taxonomy-aligned products make a substantial contribution to climate change mitigation in accordance with the activity-specific criteria. Among other things, the greenhouse gas emissions of European and non-European plants to produce soda ash, organic basic chemicals and nitric acid were compared with the average values of the most efficient plants under the E.U. emissions trading system. For the production of hydrogen, chlorine, ammonia and plastics in primary form, the comparison was against activity-specific quantitative criteria, such as the energy or emission intensity of a product. This was based on a digital solution developed by BASF to determine product-specific carbon emissions (see page 140).

Finally, in the **third step** of the process, it was assessed whether the products identified cause significant harm to the other environmental objectives. This included an analysis of risks arising from climate change using climate risk and vulnerability assessments. At sites with material climate risk, the existence of adaptation solutions was additionally analyzed and evaluated. The avoidance of significant harm to water and marine resources,<sup>2</sup> biodiversity and ecosystems,<sup>3</sup> and pollution prevention and control were taken as given for production plants in Europe based on comprehensive and uniform regulatory requirements and additionally ensured through data queries. The conformity of non-European plants was assessed on a case-by-case basis. This was based on joint assessments by local and central experts using the evidence of local production requirements submitted.

The criteria for the **minimum social safeguards** as a further pillar of taxonomy alignment in accordance with Article 18 of the E.U. Taxonomy Regulation were reviewed for all activities across the BASF Group, independent of the step-by-step process for the "contribution to climate change mitigation" and "harm to other environmental objectives" criteria.

The recommendations of the E.U. Platform on Sustainable Finance of October 2022 on the four core topics of human rights (including labor rights), corruption/bribery, taxation and fair competition were taken into account here. Minimum social safeguards are to be ensured by a systematic, integrated and risk-based approach to safeguarding our human rights due diligence obligations (see page 109), by global labor and social standards (see page 110), and by the Supplier Code of Conduct (see page 115), among other things.

Taxonomy-aligned turnover accounted for 0.4% of the total sales revenue defined and reported in the BASF Group's Consolidated Financial Statements in 2022. The "manufacture of organic basic chemicals" made the largest contribution (0.3%). Taxonomy-aligned capital expenditures (including acquisitions and excluding goodwill in accordance with the E.U. taxonomy) accounted for 0.5% of the

total investments reported in the Consolidated Financial Statements. The "manufacture of soda ash" contributed significantly here with 0.3%. Taxonomy-aligned operating expenditures accounted for 0.9% of total operating expenditures, with the largest contribution from the economic activity "manufacture of plastics in primary form" (0.5%). It is not possible to provide information on changes in taxonomy-aligned turnover, capital expenditures and operating expenditures as these are being reported for the first time in 2022.

The taxonomy-aligned figure is significantly lower than the taxonomy-eligible figure due to various factors. Only a small proportion of plastics in primary form contain a share of renewable raw materials above the threshold value. In many production processes, substances that fall within Annex C<sup>1</sup> are used to prevent or reduce pollution. As a result, these processes are no longer taxonomy-aligned, even if the substances are not released into the environment (for example, because they are exclusively used in a closed system in the production plant) and are used in accordance with existing chemicals legislation. This means, for example, that all production processes for the manufacture of battery materials must be assessed as not taxonomy-aligned. The proportion of taxonomy-aligned activities is also reduced by the fact that many plants exceed the benchmarks used by the E.U. taxonomy, such as the E.U. emissions trading scheme. In addition, plants that are not subject to emissions trading and thus cannot be assessed using the specified criteria were generally classified as not taxonomy-aligned.

 For more information on sales revenue, see Note 7 to the Consolidated Financial Statements from page 227 onward

 For more information on investments, see Notes 14 and 15 to the Consolidated Financial Statements from page 242 onward

<sup>1</sup> Generic criteria for DNSH to pollution prevention and control regarding use and presence of chemicals

<sup>2</sup> Protection of water and marine resources is taken as given at sites that do not use or treat water

<sup>3</sup> A radius of 3 km around production sites was defined for the analysis of biodiversity-sensitive areas.



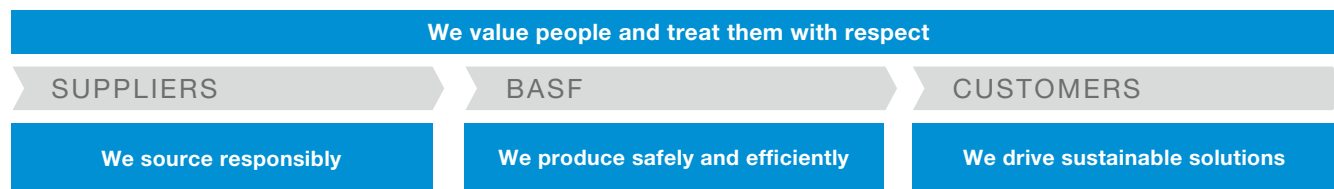






# Sustainability Along the Value Chain

We want to contribute to a better world with enhanced quality of life for everyone. That is why we have firmly anchored the three pillars of sustainability – the economy, environment and society – into our corporate purpose, our strategy, our targets and our operations along the value chain. They are at the core of what we do, a driver for growth and an element of our risk management.



We contribute to sustainability and to the **United Nations' Sustainable Development Goals (SDGs)** in many ways (see page 46). For instance, our innovations, products and technologies help to use natural resources more efficiently, meet the demand for food, enable climate-smart mobility, reduce emissions and waste, and increase the capabilities of renewable energy. Alongside these positive contributions, our business activities also have negative impacts. For example, we create CO<sub>2</sub> emissions, use water and procure raw materials from suppliers, which may involve a potential risk of violating labor, environmental or social standards. This is why we are constantly working to broaden our positive contributions to key sustainability topics (see page 46) along our value chain and reduce the negative impacts.

We are committed to doing business in a **responsible, safe, resource-efficient and respectful** way. We are guided here by our corporate values and our global Code of Conduct. Our actions are based on the applicable laws and regulations. Some of our voluntary commitments go above and beyond these. We stipulate globally binding rules for our employees with standards and guidelines that

apply throughout the Group. In doing so, we consider, respect and promote internationally recognized principles such as the 10 principles of the U.N. Global Compact and the Core Labor Standards of the International Labor Organization (ILO).

We want to ensure that we act in line with the applicable laws and uphold our responsibility to the environment and society with our comprehensive **management and monitoring systems**. Our Responsible Care Management System does this for environmental protection, health and safety (see page 123). We meet our responsibilities with respect to international labor and social standards chiefly through three elements: the Compliance Program (see page 179), close dialog with our stakeholders and the guideline on compliance with international labor norms, which applies Group-wide.

Our **business partners** are also expected to comply with prevailing laws, regulations and internationally recognized principles. We have established appropriate management and control systems, for example, for working with our suppliers (see page 114).

We seek dialog with our **stakeholders** to discuss critical issues and, if necessary, develop solutions together. Through our societal engagement, we want to create a positive impact, particularly in the communities surrounding our sites, and help solve global challenges.

We are involved in numerous **sustainability initiatives** to drive forward sustainability in general and, specifically, as this relates to our value chains. These include the World Business Council for Sustainable Development (WBCSD) as well as networks with thematic focus like the Alliance to End Plastic Waste (AEPW) or the Global Battery Alliance (GBA). In addition, we realize a wide range of projects – often together with partners – for example, to improve sustainability in the supply chain or to promote a circular economy. ]

For more information on how we value people and treat them with respect, see page 101 onward

For more information on responsible procurement, see page 114 onward

For more information on safe and efficient production, see page 123 onward

## We Value People and Treat Them with Respect

Employee engagement and empowerment are key to our success. We build networks across our business and industry to establish good relationships with our partners and stakeholders. With our solutions, our responsible business conduct and our societal engagement, we want to contribute to a better quality of life for everyone.

In this section:  
 Employees  
 Inclusion of Diversity  
 Responsibility for Human Rights, Labor and  
 Social Standards  
 Societal Engagement  
 Stakeholder Engagement

### Employees

GRI 2, 3, 201, 401, 402, 404, 405



Our employees make a significant contribution to BASF's success. We want to attract and retain talented people for our company and support them in their development. To do so, we strive to cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to top performance.

#### At a glance

**111,481**

Employees around the world

- Global targets on employee engagement and promotion of women in leadership positions
- Focus topics: promoting diversity, inclusive leadership, continuous learning

#### Strategy

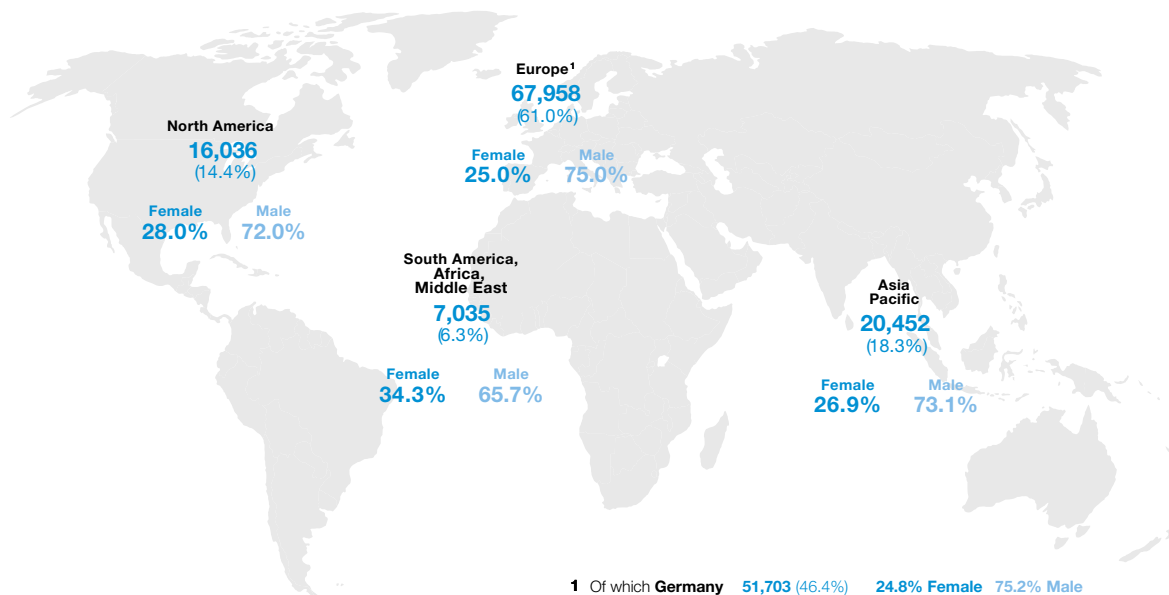
Our employees are key to the successful implementation of BASF's strategy. That is why we rely on our employees and leaders. We give them the tools and skills necessary to be able to offer our customers

products and services tailored to their needs. We promote a working atmosphere based on mutual trust with attractive working conditions, in which employees can develop their individual skills and potential. We want to further strengthen our innovative power through the inclusion of diversity. This also positions us to meet the challenges of an increasingly rapidly changing environment,

demographic change and the digital workplace. Continuous learning and individual employee development lay the foundation for this. Compensation and benefits as well as our commitment to supporting a balance between personal and professional life complete our comprehensive package. In order to continue to attract and retain talented people for our company in the future, we work continuously

#### BASF Group employees by region

(Total: 111,481, of which 26.4% women, as of December 31, 2022)



<sup>1</sup> Of which **Germany** 51,703 (46.4%) 24.8% Female 75.2% Male  
 Of which **BASF SE** 34,705 (31.1%) 22.1% Female 77.9% Male

on BASF's attractiveness as an employer. Our employees play an important role here as ambassadors for BASF.]

### Number of employees

As of December 31, 2022, the number of employees increased to 111,481 employees compared with 111,047 employees as of December 31, 2021. The rise was primarily due to staff increases in Asia Pacific, especially for the new Verbund site in Zhanjiang, China. Furthermore, the Global Business Services unit contributed to a rise in Germany, Asia Pacific and South America. In addition, the investment project to expand infrastructure and production plants for battery materials at the Schwarzheide site in Germany led to a rise in the number of employees. The divestiture of the kaolin minerals business and the suspension of business activities in Russia had an offsetting impact. We employed 3,049 apprentices<sup>1</sup> (2021: 3,028). 2,468 employees were on temporary contracts (of which 47.4% were women).

### Employee engagement

[BASF can rely on the engagement of its employees. This is shown by a passion for the job, a dedication to top performance and a strong commitment to BASF. Employee surveys and pulse checks are used as **feedback tools** to actively involve employees in shaping their working environment. The results are communicated to employees, the Board of Executive Directors and the Supervisory Board, among others. We have performed regular global employee surveys since 2008. We aim to keep the high level of employee engagement determined by these surveys. As part of the BASF strategy, we therefore set ourselves the following goal in 2018: More than 80% of our employees feel that at BASF, they can thrive and perform at their best. We regularly calculate the employee engagement level as an index score based on five questions on set topics in our employee surveys.

Overall, more than 75,900 employees worldwide participated in the 2022 survey (participation rate: 68%<sup>2</sup>). The survey revealed an engagement index of 81%, which can be seen as stabilization at a high level (2020: 82%). Our aim is to keep this score above 80%. We support our leaders with a range of measures to decentrally address individual action areas and in this way, help to further strengthen employee engagement together with their employees.]

### What we expect from our leaders

[Our leaders and their teams should contribute to BASF's success. This is why we promote high-quality leadership and regularly measure its impact. We understand impactful leadership as leaders that serve as role models by having a positive influence on the engagement and development of their employees, and by developing and implementing business strategies in line with our corporate values. These aspects are part of the standard global nomination criteria for leadership positions.

Our leadership culture is based on BASF's corporate values: creative, open, responsible and entrepreneurial – CORE. Our specific expectations of leaders' conduct are derived from these: The **CORE Leadership Values** serve as the guiding principles for all leaders and set out our expectations of leadership conduct. They are aligned with BASF's strategic goals and reflect our company's leadership vision.

We offer our leaders a wide variety of learning and development opportunities for each phase of their career as well as various formats that enable them to learn from one another and external experts. Global and local offerings are optimally coordinated. We aim to develop leaders who lead their teams with professional competence, optimism, empathy and trust, and in this way, create a competitive advantage for BASF.

In order to further anchor the CORE Leadership Values in day-to-day life, two focus topics were defined for our leadership training in 2022: **Continuous Meaningful Conversations** (see page 106) and **Inclusive Leadership** (see page 107). These virtual training courses comprised a series of modules that provided senior executives with opportunities for self-reflection, global exchange, and practicing and consolidating competencies and skills. Since summer 2022, we have also offered other management levels training and information on Continuous Meaningful Conversations and a deep dive into the CORE Leadership Values.

Regular feedback also plays an important role in leadership development. In order to better reflect the anchoring of leadership values in daily leadership conduct, we have enhanced and refined our global feedback tool, FEEDback&forward. In 2022, more than 69,700 employees took advantage of the opportunity to provide feedback to their leader on topics such as trust, empathy, empowerment, innovation and priority setting. Employees were also able to give feedback to their supervisors on the type of leadership behavior they would like to see in the future. In 2022, the majority of our leaders again received positive feedback, which shows that they also meet the high standards BASF requires from them in their day-to-day leadership behavior. The fact that 70% of our leaders have, in the eyes of their employees, further improved their leadership over the past year also points to a clear positive trend. In this way, FEEDback&forward promotes regular and open dialog between employees and leaders and encourages them to reflect on themselves and their own performance. This enables teams to drive forward change together.]

<sup>1</sup> At BASF, the apprenticeship program trains students for technical, scientific and business vocations as well as for trade and craft professions.

<sup>2</sup> Scope of employees surveyed goes beyond the scope of consolidation. However, there are exceptions for companies that represent joint ventures and joint operations, as well as companies held for sale.

### Competition for talent

Attracting and retaining the best employees is crucial to our success. Having an attractive and compelling total offer package for employees is becoming increasingly important given the strong global competition for the best qualified employees and leaders. This is why we are constantly working on measures to increase BASF's attractiveness in the global labor markets and are increasingly using digital platforms such as our country-specific career websites as well as global and regional social networks. This enables us to appropriately address different target groups.

Our **talent search activities** in 2022 were based on a mix of face-to-face events as well as digital offerings. We are continually enhancing and refining these offerings to be able to respond to current developments and the changing needs of applicants, and additionally, to be able to provide the best possible information about BASF as an employer virtually. For example, we are represented at digital trade fairs and conferences. This virtual contact enables a demand-oriented, flexible and location-independent approach. As a result, we were able to continue to attract and recruit talented employees.

We are also involved in long-term projects to promote talent, such as a pilot project run by the Royal Society of Chemistry to help ethnic minorities in the U.K. and Ireland pursue careers in the chemical industry. The launch event for the three-year program was held in London in September 2022.

In addition, we consistently take part in specific career events to directly reach and attract talent from various disciplines, especially female candidates. We focus in particular on our female employees as role models with various initiatives such as career fairs and networking events aimed specifically at women, or on our social media channels. In 2022, we also added a new page to the global career website that highlights our strategic targets on gender parity and on women in leadership positions.

To combat the shortage of skilled workers in production and technical areas in Ludwigshafen, Germany, we used channels like social media to alert qualified specialists to career prospects at BASF in 2022. We also cooperated with the German employment agency, for example, to target skilled workers at informational events and to recruit suitable candidates for BASF who are currently available on the labor market or will be in the near future.

In addition, we are working on implementing a digital onboarding process for new employees and their leaders in the period up to the first day of work and beyond. The plan is to roll out the Enboarder digital tool globally in 2023.

We offer a dual vocational training model at numerous sites. At production sites in the United States, for example, we provide up to three years of dual-track vocational training under the North American Apprenticeship Program (NAADP). We work with local colleges to ensure that apprentices receive comprehensive and integrated tuition, in addition to the practical experience they gain at BASF's sites. The program was expanded to additional U.S. sites in 2022.

We once again achieved high scores in a number of employer rankings in 2022. For example, in a study conducted by Universum, young scientists ranked BASF as the seventh most attractive employer in Germany (2021: second). In North America, DiversityInc named BASF as one of the top 50 companies for diversity in recruiting for the tenth consecutive year. In Asia, Top Employer recognized BASF China as one of the best employers for the thirteenth time in succession.

The BASF Group hired 10,893 new employees in 2022. The percentage of employees who resigned during their first three years of employment – the early turnover rate – was 1.9% worldwide in 2022. This turnover rate was 0.8% in Europe, 4.0% in North America, 3.8% in Asia Pacific and 2.8% in South America, Africa, Middle East.

### BASF Group new hires in 2022

	2022	Of which women (%)
Europe	4,809	30.2
North America	2,422	28.6
Asia Pacific	2,606	30.6
South America, Africa, Middle East	1,056	43.8
<b>Total</b>	<b>10,893</b>	<b>31.2</b>

As of December 31, 2022, the BASF Group was training 3,049 people in 11 countries and around 50 occupations. We spent a total of around €131 million on vocational training in 2022. ]

For more information on careers at BASF, see [basf.com/career](https://www.basf.com/career)

### Learning and development

Learning and development are essential success factors for a strong and future-oriented company culture. The **skills and competencies** of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote continuous, self-directed learning and learning from others. Employee development at BASF is underpinned by the principle that development opportunities and support are open to all employees.

We understand development as continuous learning by building individual experience and skills, further training or changing jobs. A trust-based relationship between employees and leaders as well as regular feedback are crucial to employee development. Continuous Meaningful Conversations are regular conversations between leaders and employees and cover topics such as feedback, reflection, development, performance, collaboration and well-being. These conversations can be initiated by both leaders or employees and take different forms depending on individual needs – leaders and employees can agree on this in the annual employee dialog.

Employees also define their individual learning objectives together with their leader in these discussions. These are to be adapted to the specific requirements of the position concerned and future needs. Learning can take place in various formats and at different locations – at work, as social or formal learning – depending on current individual and workplace demands.

Our learning offerings are available for a variety of employee development needs: starting a career, expanding knowledge, personal growth and leadership development. In addition, the many academies in the divisions and service units offer training on specific professional content.

To achieve our ambitious digitalization goals, we are focusing on digital skills development in the leadership team and among our employees, as well as on agile transformation. Learning offerings cover not only typical, IT-related fields of competence, but also production and sustainability topics, for example. Agile leadership training plays just as important a role as development activities that help employees and leaders navigate a digitally-enabled working environment, analyze data for more targeted decision-making or improve automation processes. BASF uses the concept of digital competence profiles. These describe digital skills, tasks and behaviors and help harmonize digital skills requirements across BASF.

Additionally, we offer our employees a variety of self-learning opportunities to enhance their digital skills. The global Ways of Working portal was launched in 2021. Over one-third of our employees have already taken advantage of this offer. In 2022, around 28,600 employees participated in events such as the global collaboration weeks, “open house” question and answer sessions on new ways of working, and workshop series on virtual collaboration. In addition, 600 colleagues volunteered as change agents and served as contacts on virtual collaboration topics. This enables social learning directly in the workplace. In addition, over

5,200 employees are active in the Ways of Working community on our social network.

Alongside formal learning opportunities, the “project marketplace” social platform offers further agile development opportunities. Employees are able to grow professionally by taking on new tasks without having to change jobs internally and benefit from the experience they gain from working on digital projects. Over 600 employees took up this offer in 2022.]

## Good to know



## Agile learning formats

Agile learning formats are characterized by a high degree of self-organization on the one hand and cooperation on the other. At BASF, they are primarily applied directly in a working context, for example in the form of design thinking, learning circles or hackathons. With the regular Climathon initiative, for example, BASF aims to find and nurture solutions that advance digitalization and sustainability together. In 2022, BASF also participated in the HerHackathon 2022, where 250 female digital talents from across Europe worked on seven challenges from multiple companies. Participating in events of this kind helps us to be perceived as an attractive digital employer and to attract new talent.

Citizen development is an important pillar of BASF's digitalization strategy. In IT jargon, citizen developers are the opposite of professional software developers – interested users who, after a short learning phase, independently create digital applications. There are now more than 10,000 citizen developers at BASF, who have access to various platforms to develop simple digital solutions themselves and strengthen BASF's digital transformation.



## Compensation and benefits

“We want to attract and retain engaged and qualified employees, and motivate them to achieve top performance with a total offer package that includes market-oriented compensation, individual development opportunities and a good working environment. Our employees’ compensation is based on **global compensation principles** according to position, market and performance. As a rule, compensation comprises fixed and variable components as well as benefits that often exceed legal requirements. In many countries, these benefits include company pension benefits, supplementary health insurance and share programs. We regularly review our compensation systems at the global and local levels.

We want our employees to contribute to the company's success. This is why the compensation granted to the vast majority of our employees includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles essentially apply for all employees worldwide. The amount of the variable component is determined by economic success as well as the employee's individual performance. We use the BASF Group's return on capital employed (ROCE) to measure economic success for the purposes of variable compensation. This links **variable compensation** to our ROCE target.<sup>1</sup> Individual performance is assessed as part of a globally consistent performance management process. In numerous Group companies, our “plus” share program ensures employees’ long-term participation in the company's success through incentive shares. In 2022, for example, around 27,100 employees worldwide (2021: around 23,600) participated in the “plus” share program.

BASF offers senior executives the opportunity to participate in a **long-term incentive (LTI) program**<sup>2</sup> in the form of a performance share plan. The LTI program has a term of four years and takes into account the development of the total shareholder return. It

incentivizes the achievement of strategic growth, profitability and sustainability targets. To take part in this program, participants must hold BASF shares, the amount of which is based on their individual fixed compensation. In 2022, around 94% of the people eligible to participate in the LTI around the world did so, holding between 30% and 70% of their fixed annual compensation in BASF shares. The share price-based compensation program (BASF Option Program, BOP), which had existed since 1999, was offered for the last time in 2020.]

[For more information on share price-based compensation programs and BASF's share programs, see the Notes to the Consolidated Financial Statements from page 285 onward](#)

[For more information on the compensation of the Board of Executive Directors and the Supervisory Board, see the Compensation Report at \[basf.com/compensationreport\]\(https://www.basf.com/compensationreport\)](#)

## Personnel expenses

Expenses for wages and salaries, social security contributions and assistance, as well as for pensions totaled €11,400 million in 2022. In the previous year, these amounted to €11,097 million. The rise was mainly attributable to a higher wage and salary level, currency effects, particularly from the U.S. dollar, as well as a higher average number of employees. Declining bonus provisions and lower pension expenses had an offsetting effect.

### BASF Group personnel expenses

Million €	2022	2021	+/-
Wages and salaries	9,102	8,847	+2.9%
Social security contributions and assistance expenses	1,598	1,519	+5.2%
Pension expenses	701	732	-4.2%
<b>Total personnel expenses</b>	<b>11,400</b>	<b>11,097</b>	<b>+2.7%</b>

## Balancing personal and professional life

“Our identity as an employer includes our belief in supporting our employees in balancing their personal and professional lives. We want to strengthen their identification with the company and our position in the global competition for qualified personnel. To achieve this, we have a **wide range of offerings** aimed at employees in different phases of life that accommodate – as far as the job allows – the growing demand for flexibility in when and where they work. These include flexible working hours, part-time employment, remote working, and time off options that provide the necessary flexibility to care for children or family members, for example. We are continually working to expand these options and increasingly support the effective use of digital solutions here.

We have formulated guidelines for more flexibility in where, when and how employees work. These opportunities have become an integral part of our employees’ day-to-day work, job permitting.

At the Ludwigshafen site in Germany, for example, teams can draw on many tools to live more flexibility and at the same time, strengthen teamwork. Many BASF units have hybrid work models, working partly on-site and partly remotely. Desk-sharing concepts support the new form of collaboration and create areas to withdraw as well as new interaction spaces for sharing ideas and being creative together. There are also external and internal co-working opportunities that employees can take advantage of.

Our Work-Life Management employee center in Ludwigshafen, Germany, (LuMit) offers a number of services under one roof: childcare, fitness and health, and the Employee Assistance Program with social counseling services offered by BASF Stiftung.

Other BASF sites also have a wide range of services to foster a balance between personal and professional life and promote health and fitness. For example, the Münster and Frankfurt sites in Germany

<sup>1</sup> In calculating compensation-relevant ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (for example, integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of +/-1% of the average cost of capital basis. An adjustment of the compensation-relevant ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

<sup>2</sup> The LTI program referred to here is aimed at management levels 2 to 4 as well as individual employees who have attained senior executive status by virtue of special expertise.

offer mobile and hybrid working, childcare options including emergency care, and psychosocial support and counseling services.

In Germany, the Employee Assistance Program with social counseling services has been offered for 100 years under the organizational umbrella of BASF Stiftung: It provides an anchor and supports people in difficult life situations in Ludwigshafen and at three other German locations. In addition, BASF Stiftung promotes projects around the world to permanently improve the living conditions of people in need and to help people affected by emergencies and natural disasters. Examples include the year-end donation campaign “#HornOfAfrica – Children need water and food” and the major donation campaign “#ColleaguesForUkraine”. The site in Lemförde, Germany, also hosted an aid campaign for Ukrainian refugees, organizing a leisure program for a total of around 45 refugee children and their mothers as part of summer holiday care.

We have also offered our South American employees numerous support services for many years now. For example, there is a team that coordinates activities to promote employees' emotional, physical and social well-being. The portfolio is continuously enhanced and refined to optimally meet current local needs. One focus topic in 2022 was burnout and illness prevention.

In Asia, too, many countries have specific support programs designed to help employees with personal and professional problems. These include a wide range of offers, for example on mental health and on preventing and dealing with stress. Thanks to employees' voluntary efforts, employees in need were provided with special assistance such as food packages during the lockdown triggered by the coronavirus pandemic in 2022.]

For more information on BASF Stiftung, see [basf-stiftung.org](https://basf-stiftung.org)

## Mutual respect and open dialog

Openness is one of BASF's corporate values. That is why our stakeholder dialog is based on **honesty, respect and mutual trust**. This also applies to dialog with our employees.

All employees have the opportunity to form, join and support legally recognized trade unions or employee representatives. These are entitled to represent employees and their interests in collective bargaining. BASF upholds these rights and has anchored this in the Group-wide guideline on compliance with international labor norms.

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and continual dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. In 2022, this underpinned our efforts to manage the effects of the war in Ukraine and the coronavirus pandemic, for example. In the case of organizational changes or if restructuring leads to staff downsizing, for example, or in the case of other codetermination-relevant topics, we involve employee representatives at an early stage to develop socially responsible implementation measures. Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational conditions.

By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal conditions for each site. The BASF Europa Betriebsrat (European Works Council) addresses cross-border matters in Europe. In South America, we foster continual dialog with employee representatives in the Diálogo Social.

We are also committed to social dialog with employee representatives where freedom of association is not guaranteed under national law to the same extent as in European legal systems.]

For more information, see [basf.com/employeeerepresentation](https://basf.com/employeeerepresentation)



## Material topics in focus: Inclusion of Diversity

GRI 3, 404, 405



**BASF strives to foster a working environment based on mutual respect, trust and appreciation. Promoting and valuing diversity across all hierarchical levels is an integral part of our strategy and is also embedded in our corporate values.**

For us, diversity means, among other things, having people from different backgrounds working at our company who can draw on their individual perspectives and skills to grow our business. As a global company, we serve many different customer needs. We also want to reflect this diversity in our workforce. By valuing and promoting employee diversity, we boost our teams' performance and power of innovation, and increase creativity, motivation and employees' identification with the company.

We expect **inclusive conduct** from all employees. By this, we mean creating an environment in which different aspects of diversity and individual strengths are valued. That is why in 2022, we focused on the topics of inclusion and our employees' sense of belonging at BASF.

Our leaders play an important role in promoting diversity and creating an inclusive work environment. We support them with various offerings, for example as part of leadership development. In 2022, our leaders had the opportunity to deep dive into inclusive leadership in a training series on the CORE Leadership Values (see page 102). The training supported our leaders in what they can specifically do to make the work environment more inclusive for all employees and how they can live up to their role model function and develop further.

To fulfill their responsibility for creating an inclusive workplace, all leaders in North America have been required since 2022 to set goals for the inclusive leadership of their teams. These are incorporated

into their respective target agreements and implementation is reviewed. Market regions and countries in Europe developed individual diversity and inclusion roadmaps in 2022. The focus was on identifying the relevant topics in each country. In addition, since 2022 we have also been using the inclusion index to measure our employees' sense of belonging as part of the regular employee survey (see page 102).

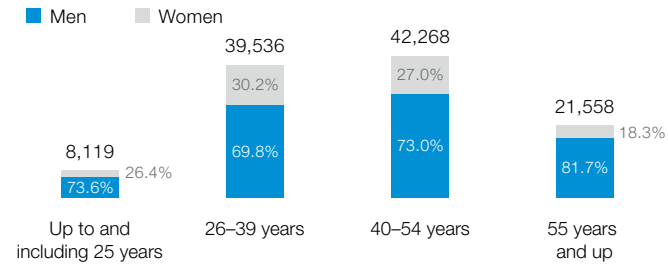
Integrating different perspectives is very important to BASF and we want to create a greater awareness of diversity in our organization. For instance, we have created a digital learning format on unconscious bias for all employees. There are also a number of Employee Resource Groups around the world dedicated to different aspects of diversity. For example, the LGBTQ+ network in Ludwigshafen, Germany, celebrated its tenth anniversary in 2022.



Our Diversity and Inclusion programs promote a workplace that welcomes everyone and strengthens the sense of belonging at BASF. This allows us to perform at our best together and work to be the world's leading chemical company for our customers.

**BASF Group employee age structure**

(Total: 111,481, of which 26.4% women, as of December 31, 2022)



Diversity also relates to the company's demographic profile, which varies by region within the BASF Group. Our aim is to create a suitable framework to help maintain the employability of our personnel at all stages of life and ensure the availability of qualified employees over the long term.

We also promote diversity in the selection and development of our leaders. We have set a global target to promote female leadership and aim to increase the proportion of women in leadership positions to 30% by 2030.

**2030 target**

Proportion of women in leadership positions with disciplinary responsibility

**30%**

We have made important progress toward this and continually review our target. In the BASF Group, the global proportion of female leaders with disciplinary responsibility was 27.2% at the end of 2022 (2021: 25.6%).

To enable our management to monitor progress toward this target, we have developed a global dashboard that is used to regularly review the status of implementation. The systematic advancement of women is an integral part of our process for selecting senior executives and is regularly addressed in strategic dialogs with the divisions at the level of the Board of Executive Directors and in the Board's strategic talent discussions. We also offer various programs to help female executives strengthen their network and increase their visibility at senior executive level.

**Leaders and specialists in the BASF Group**

	December 31, 2022	Of which women (%)
(Senior) executives <sup>a</sup>	9,329	27.2
Specialists <sup>b</sup>	41,333	32.5

<sup>a</sup> With disciplinary leadership responsibilities  
<sup>b</sup> Without disciplinary leadership responsibilities (previously "professionals")

As a signatory to the United Nations' Women's Empowerment Principles (WEPs), we are committed to promoting gender equality. We are also involved in other external initiatives to promote inclusion of diversity and equal opportunities in the workplace, such as the Business for Inclusive Growth (B4IG) initiative.]

📄 For more information on diversity in the Board of Executive Directors and the Supervisory Board, see page 169 onward

🔗 For more information on diversity and inclusion, see [basf.com/diversity](https://basf.com/diversity)



Projects such as the Pragati project on sustainable castor bean farming, founded by BASF together with Arkema, Jayant Agro-Organics and implementation partner Solidaridad, start on the ground to build specific expertise for sustainable and responsible supply chains.

Material topics in focus:

## Responsibility for Human Rights, Labor and Social Standards

GRI 2, 3, 406, 407, 408, 409, 411, 413



**BASF acknowledges its responsibility to respect internationally recognized human rights. For many years now, we have engaged in constructive dialog on human rights with other companies, nongovernmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI).**

### At a glance

- Human rights due diligence as a Group-wide task
- Systematic and extensive anchoring of human rights topics in company processes and culture
- Commitment to respecting international labor and social standards enshrined in our global Code of Conduct
- Chief Human Rights Officer appointed to oversee human rights risk management

### Strategy and organization

“We see human rights due diligence as an important, all-encompassing task that we can only perform by working together as a team throughout the entire organization. That is why we have embedded our responsibility for human rights into our Code of Conduct and set this out in our Policy Statement on Human Rights. We uphold our standards worldwide, including where they exceed local legal requirements. All employees and leaders are responsible for ensuring that we act in accordance with our Code of Conduct and our Policy Statement on Human Rights. In everything we do, we

are committed to complying with international labor and social standards.

We rely on a systematic, integrated, risk-based approach and **established monitoring and management systems**. BASF is also active in initiatives such as Together for Sustainability (TfS) and Responsible Care®, which promote sustainability in the supply chain. Our measures and criteria for monitoring and respecting human rights are integrated into supplier assessment processes and our global monitoring systems for environmental protection, safety and security, health protection and product stewardship (see page 114). They are also part of the evaluation of investment, acquisition and divestiture projects, assessments along the entire product life cycle, and systems to monitor labor and social standards. In addition, aspects of human rights topics are part of the global qualification requirements for security personnel and are incorporated into standard agreements with contractors.

Our compliance unit is responsible for steering human rights topics and coordinates cross-unit collaboration. As **Chief Human Rights Officer**, the head of our legal and compliance organization is responsible for overseeing human rights risk management. In our Human Rights Expert Working Group, representatives from various areas of our company work closely together to holistically assess

and refine our approach to human rights governance. It includes employees from specialist departments – Corporate Compliance (coordination), Global Procurement, Corporate Legal, Corporate Human Resources, Environmental Protection, Health, Safety and Quality, Corporate Strategy & Sustainability, Corporate Security, Digital and Procurement Governance, Corporate Communications and Governmental Relations – and our operating divisions. The expert working group provides support and advice in challenging and critical situations, on the development of internal processes, and on the creation of information and training offerings, among other things. In this way, we want to ensure that we approach our human rights responsibility holistically and that we can continually improve our performance.

### International labor and social standards

Our aim of acting responsibly toward our employees is embedded in our **global Code of Conduct** through our voluntary commitment to respecting international labor and social standards. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). In order to meet the requirement to comply with these standards worldwide, we mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the BASF guideline on compliance with international labor norms, which applies Group-wide. This guideline concretizes the topics in our global Code of Conduct under "Human rights, labor and social standards" as these relate to our employees. In 2022, an additional guideline specified that these topics must also be considered and applied when working with temporary employees and freelancers.

It forms the basis for our global, risk-based management process: We regularly monitor changes to the national law of all the countries

in which BASF operates and evaluate our adherence to international labor and social standards. If the national law contains no or lower requirements, action plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is part of our central due diligence system.

We monitor our voluntary commitment to international labor and social standards as part of our management process. As before, individual elements of the guideline are also reviewed as part of internal control processes such as Responsible Care audits at BASF Group companies. In addition to these quality assurance

### Good to know

## Human Rights Advisory Council

We established a Human Rights Advisory Council in 2020 to integrate external expertise. Its members include independent international human rights experts. The trust-based dialog on human rights topics helps us to better understand different perspectives and to deal more openly with critical situations. The meetings held in 2022, which were chaired by our Chief Compliance Officer, were attended by representatives from the Corporate Compliance and Corporate Strategy & Sustainability departments as well as other experts from the operating divisions or procurement as required. We maintained our dialog with the Human Rights Advisory Council in 2022, both with the body as a whole and in small groups. The Council provided an external perspective, for example, on the further development of our human rights position, on due diligence in challenging circumstances, and on the limits of corporate governance.

measures, compliance with international labor and social standards is an integral part of the standard questionnaire in the compliance management audits conducted by the Corporate Audit department.

 For more information on corporate governance and compliance, see page 168 onward

 For more information on labor and social standards, see [basf.com/labor\\_social\\_standards](https://basf.com/labor_social_standards)

### Cooperation along our value chains

As an international company, we are a part of society in the countries in which we operate and have business relationships with partners around the world. We are confronted by the fact that there are states that do not honor their obligation to protect human rights. People are particularly at risk in such countries, and companies' ability to act is often very limited. Here, too, we are committed to our values and contribute to the respect of human rights.

We have trustful working relationships with our partners (customers, suppliers, joint venture partners, contractors), expect them to comply with internationally recognized human rights standards and to expect the same of their partners further along the value chain. We work to ensure that our partners meet their respective responsibilities.

We can only achieve our goal of strengthening respect for human rights along our value chains if we work together. We have clearly defined our expectations in our Supplier Code of Conduct. We are in close contact with our business partners, especially in higher-risk areas and regions, and monitor the implementation of relevant standards and necessary measures for improvement. We use recognized assessments and audits to verify this. In 2022, we continued our work with our upstream supply chain, where we usually have no direct contractual relationships, less transparency and less influence. Here, we seek to increase our influence through collaboration with partners and stakeholders, and place importance on certifications such as the LBMA certificate for gold, the LPPM certificate for platinum group metals, and the Responsible Minerals Initiative's Responsible Minerals Assurance Process.

We work together with partners, civil society and in cross-sector initiatives. These include the Global Battery Alliance and the Roundtable on Sustainable Palm Oil. Projects often start on the ground to build specific expertise for sustainable and responsible supply chains. Examples include the Sustainable Castor Initiative – Pragati in India, the Responsible Lithium Partnership Initiative in Chile, the Responsible Mica Initiative in India and the Cobalt for Development pilot mining project in the Democratic Republic of Congo. In 2022, BASF, Syngenta and Arisa also worked together on a multi-stakeholder initiative in the vegetable seeds business in India. The initiative, WISH (Wage Improvements in Seed Hybrids), addresses the issue of child labor and compliance with minimum wage.

 For more information on standards in our supply chain, see page 114 onward

For more information on raw materials, see page 117 onward

### Further development of our organization and processes

We again initiated various measures to further strengthen our organization and processes in 2022. These measures are also important against the background of new regulations, especially the German Supply Chain Due Diligence Act (SCA). These include the appointment of BASF's Chief Human Rights Officer and the further development of our Policy Statement on Human Rights, including further explanations of our approach to human rights due diligence and priority risks for our company. Both of these measures were approved by the Board of Executive Directors in November 2022.

To strengthen due diligence in the supply chain, we have also enhanced and refined a range of measures, including supplier risk analysis as well as preventive measures such as the systematic business partner due diligence for new suppliers, our Supplier Code of Conduct, and the requirements to be embedded in suppliers' contracts. We continue to expect our suppliers to enforce our standards at their suppliers and subcontractors, too. Furthermore, the rights of third-party workers in high-risk countries will be even better protected in the future through additional due diligence steps. These include risk-based controls and measures that promote transparency and awareness of human rights issues.

We have also been able to analyze and confirm BASF's compliance with the specific environmental treaties covered by the SCA (Minamata, Stockholm, Basel) in countries that have not yet ratified these conventions.


### Information and awareness-raising measures, grievance mechanisms

Promoting awareness of human rights was again a focus topic in 2022. Workshop programs on this were held in our operating divisions. In addition, employees in all regions were informed about and sensitized to human rights topics through presentations and discussion formats for specific target groups.

Our grievance mechanisms, which we already improved in 2021 with the introduction of a standardized global hotline and reporting system, were also used in 2022. A total of 151 human rights-related complaints were received by phone as well as by post and e-mail (2021: 206). All complaints were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken. The 65 closed and justified cases were primarily harassment cases, followed by cases of discrimination. Our grievance channels did not identify any instances of child labor or forced labor.

We report on our global targets, monitoring systems and measures to integrate human rights topics into our business activities in publications such as this report and online. ]

 For more information on our production standards, see page 125 onward

 See [basf.com/humanrights](https://basf.com/humanrights) for more information on the Policy Statement on Human Rights and a comprehensive report on the implementation of due diligence in accordance with the requirements of the National Action Plan developed by the German government, and in accordance with the U.N. Guiding Principles on Business and Human Rights

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

## Societal Engagement

GRI 203, 413

### At a glance

- BASF wants to be a responsible neighbor around the world
- BASF with a long tradition of commitment to science education

Societal engagement is a cornerstone of our corporate social responsibility. Through our activities, we want to strengthen the communities surrounding our sites worldwide, help achieve the SDGs, and have a positive long-term impact on the environment and society. Based on our business model and competencies, we aim to support and protect health, skills and resources, contributing to a sustainable future for individuals and society.

One example of our **contribution to public health is our cooperation** with the non-governmental organization (NGO) Beyond Sun-care, which aims to protect people with albinism from skin cancer, discrimination and attacks. The NGO has a long history of working with BASF to develop and provide sunscreen products that address the specific challenges of people with albinism in the sub-Saharan region. BASF provides its know-how and ingredients free of charge. Together, Beyond Sun-care and BASF developed an innovative sunscreen product that reduces the risk of skin cancer among the vulnerable population. This is just one example of how this initiative is improving the quality of life, safety and dignity of people with albinism in Africa.

Education is key to personal success and the future viability of society. That is why BASF is committed to working with partners at numerous sites to achieve greater educational equality, especially for disadvantaged children and young people. BASF has been fostering curiosity and stimulating an interest in science for 25 years now with **BASF Kids' Labs**. The experimentation programs have since reached approximately 1.2 million children in 45 countries.

Since 2011, they have been complemented by the Virtual Lab, which has been used by around half a million children to date.

BASF aims to **contribute to more education for sustainable development** with the Young Voices for a Sustainable Future project. More than 1,000 young people across eight countries were empowered to recognize and address the consequences of climate change in their communities. With their project proposals, participants used their potential to draw attention to challenges and help to eliminate them. The young people were supported by more than 80 BASF employees.

We aim to create long-term value for BASF and society with new business models and cross-sector partnerships. Our **Starting Ventures program** helps people from low-income areas to improve their economic opportunities and their quality of life. The program also provides access to new markets and partners and contributes to achieving the SDGs. Eight new Starting Ventures projects were selected for implementation in December 2022. BASF is tackling challenges on the ground together with local partners and contributing to the SDGs with entrepreneurial ideas, technical expertise and time resources. One project under our Starting Ventures program is the Waste-2-Chemicals project in Lagos, Nigeria. In the project, plastic waste is collected by local residents, sorted and then converted into pyrolysis oil. This pyrolysis oil is available as feedstock for the production of high-quality chemical products. In cooperation with nonprofit organizations, this enables local waste collectors and their families to earn a regular income.

### BASF Group expenses for societal engagement activities<sup>1</sup>

~€30 million

In the area of **international development cooperation**, we support the independent charitable BASF Stiftung with donations for its projects in cooperation with various organizations. The 2022 year-end donation campaign in favor of BASF Stiftung supported the United Nations Children's Fund, UNICEF, to provide children and their families in the Horn of Africa with access to food and water. BASF topped up the donations made by employees of participating German Group companies to a total of around €458,000.

In 2022, BASF also made donations to support people affected by the Russian attack on Ukraine. To this end, BASF initially provided €1 million in emergency aid to the German Red Cross in February 2022. In April, BASF additionally doubled the amount donated as part of the global employee fundraising campaign "#ColleaguesFor-Ukraine" (€2,110,156 in total) to around €4.2 million. The donations benefited BASF employees from Ukraine through BASF Stiftung and Ukrainian refugees through the U.N. Refugee Agency.

In addition, BASF supported those affected by natural disasters. For example, we support the National Disaster Management Authority in Pakistan with mosquito nets and pest control products to protect the population in flooded areas.

[For more information on Starting Ventures, see basf.com/en/starting-ventures](https://basf.com/en/starting-ventures)

[For more information on societal engagement at our sites, see ludwigshafen.basf.de](https://ludwigshafen.basf.de)

[For more information on our societal engagement around the world, see basf.com/en/engagement](https://basf.com/en/engagement)

<sup>1</sup> We report a total figure for our societal engagement activities. The figure includes all consolidated companies with employees, including joint operations.



## Stakeholder Engagement

GRI 2, 3, 413

### At a glance

- Dialog with various stakeholder groups with a focus on contributing to the U.N. Sustainable Development Goals (SDGs)
- The Stakeholder Advisory Council's focus areas: climate protection, the energy transformation and social responsibility

We leverage the expertise of our stakeholders in our own advisory bodies, global networks and worldwide initiatives and actively engage in dialog, contributing our expertise.

For instance, we have been a member of the **U.N. Global Compact** since its establishment in 2000. BASF consistently supports the U.N. Global Compact's 10 principles of responsible business conduct and the Sustainable Development Goals. In addition, we are participating in the pilot phase of the U.N. Global Compact's new reporting format and are active in 13 local Global Compact networks.

In 2022, we again discussed relevant sustainability topics with our **Stakeholder Advisory Council** (SAC). Based on this joint dialog, BASF's sustainability management is critically reviewed and systematically enhanced and refined. The tenth meeting focused on the significance and aspects of the societal dimension of sustainable development.

Topics discussed by the **Human Rights Advisory Council** included particular challenges in the battery materials value chain.

For more information on our stakeholder dialog, see [basf.com/en/stakeholder-dialog](https://basf.com/en/stakeholder-dialog)

For more information on our stakeholder activities, see [basf.com/stakeholder-engagement](https://basf.com/stakeholder-engagement)

## We Source Responsibly

As a global business, we have a responsibility to manage our supply chains carefully. We connect with our suppliers to source raw materials responsibly. Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, technical goods and services at competitive prices.

In this section:  
Supplier Management  
Raw Materials

### Supplier Management

GRI 2, 3, 204, 304, 308, 403, 407, 408, 409, 414



**BASF sources many raw materials, precursors, technical goods and services. Our suppliers are an important part of our value chain. Our objective is to create competitive advantages through our professional procurement structures, to establish stable and reliable supply chains, and at the same time, meet high ethical and environmental standards. Together with our suppliers, we want to improve sustainability in the supply chain and minimize risks.**

#### At a glance

**€54 billion**  
global procurement spend

**85%**  
of relevant spend<sup>1</sup> covered by  
sustainability evaluations

- Sustainability-oriented supply chain management
- Global targets to increase sustainability in the supply chain
- Supplier Code of Conduct creates transparency
- Risk-based evaluation with clearly defined follow-up processes

### Strategy and governance

Our procurement organization ensures a reliable supply of raw materials, energy, precursors, technical goods and services to BASF. Alongside economic and qualitative criteria, we also take environmental, social and ethical aspects into account in cooperating with our suppliers.<sup>2</sup>

Our sustainability-oriented supply chain management is an integral part of our risk management. We have defined our standards in a global guideline. We are continually refining and optimizing this guideline and our structures and processes in response to changing conditions, such as the new obligations arising from the German **Supply Chain Due Diligence Act (SCA)**, which requires large companies to conduct due diligence on human rights and certain environmental standards in their supply chains from January 1, 2023. In principle, this applies both to our own business operations and to direct and indirect suppliers. Based on a gap analysis of the new statutory due diligence obligations, we have further strengthened existing structures and processes and summarized our human rights positions in a policy statement (see page 109). The head of the legal and compliance organization was appointed Chief Human Rights Officer in 2022 and is responsible in this capacity for overseeing the supply chain risk management system. Our established supply chain management tools, such as our Supplier

Code of Conduct or the systematic risk-oriented assessment and auditing of suppliers, remain important elements and have been updated accordingly.

Procurement guidelines and targets are set centrally by the responsible Corporate Center unit and are binding for all employees with procurement responsibility worldwide. We use a multi-stage control process to ensure compliance with these requirements.

Our risk-based approach aims to identify and evaluate sustainability matters in our value chains as best possible to improve sustainability performance together with our suppliers. We regularly review and document progress based on the risk level. Procurement employees receive regular training in sustainability-oriented supplier management and responsible procurement. In 2022, around 1,400 employees received such training, covering the requirements arising from the SCA.

We depend on reliable and long-term supply relationships. Our expectations of our suppliers are laid down in the global Supplier Code of Conduct. We support suppliers in improving their sustainability performance, for example, through joint projects (see page 119) or by helping them to address shortcomings. Another example is our Supplier CO<sub>2</sub> Management Program launched in 2021, with which we aim to increase the transparency of upstream

<sup>1</sup> We understand relevant spend as procurement volumes with relevant suppliers. We define relevant suppliers as Tier 1 suppliers showing an elevated sustainability risk potential as identified by our risk matrices, our purchasers' assessments or other sources.

<sup>2</sup> BASF considers all direct suppliers of the BASF Group in the business year concerned as Tier 1 suppliers. These are suppliers that provide us with raw materials, investment goods, consumables and services. Suppliers can be natural persons, companies or legal persons under public law.

greenhouse gas emissions (Scope 3) and reduce the carbon footprint of our value chain together with our suppliers (see page 141).

[For more information on suppliers, see basf.com/suppliers](https://www.basf.com/suppliers)

### Global targets

We actively promote sustainability in the supply chain with our ambitious targets: By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend. In addition, we aim to have 80% of suppliers improve their sustainability performance upon re-evaluation by 2025. In 2022, 85% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2022, 76% had improved. Both global targets are embedded in the target agreements of persons responsible for procurement.

#### 2025 targets

**90%**

Share of the BASF Group's relevant spend covered by sustainability evaluations

**80%**

Percentage of suppliers with improved sustainability performance upon re-evaluation

### Global procurement

Our more than 70,000 suppliers make an important contribution to our value creation. They supply us with raw materials, energy, precursors, investment goods and consumables, perform a range of services and are innovation partners. We acquired raw materials, goods and services for our own production worth approximately €54 billion in 2022. Of this, around 90% was procured locally.<sup>1</sup> There were no substantial changes to our supplier structure.

### What we expect from our suppliers

Together with our suppliers, we want to improve sustainability in the supply chain. Consequently, we require our suppliers to comply with the applicable laws in full and to adhere to internationally recognized environmental, social and governance (ESG) standards. We also expect our suppliers to make an effort to enforce these standards at their suppliers. In addition, we ask our suppliers to support and comply with our Supplier Code of Conduct – or to demonstrate and ensure their commitment to the principles specified in the Code of Conduct, for example in their own code of conduct.

Our global **Supplier Code of Conduct** is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions, and the topic areas of the Responsible Care initiative. Topics covered by the Code of Conduct include compliance with human rights, the exclusion of child and forced labor, safeguarding labor and social standards, antidiscrimination and anticorruption policies, and protecting the environment. The Code of Conduct is available in the most relevant languages for our suppliers and integrated into electronic ordering systems and purchasing conditions across the Group. In 2022, we expanded our Supplier Code of Conduct to include requirements from the German Supply Chain Due Diligence Act. Around 5,400 new suppliers committed to the Code of Conduct in 2022.

BASF conducts audits and assessments to ensure that suppliers comply with the applicable laws, rules and standards. BASF reserves the right to discontinue business relationships for non-adherence to international principles. The same applies to failure to correct violations, or for displaying patterns of non-compliance with these standards. Our Code of Conduct expressly points out that potential violations of laws, rules or standards can be reported – including anonymously – to our compliance hotlines. Each case is documented and investigated, and appropriate measures are taken as necessary.

### Selection and evaluation of our suppliers

New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also ESG standards. As such, selection, evaluation and auditing is an important part of our sustainable supply chain and risk management. Processes and responsibilities are defined in a global guideline. Due to the large number of suppliers, they are evaluated based on risk. We take into account both country and industry-specific risks and the materiality of the supply relationship. We also use observations from our employees in procurement and information from internal and external databases, such as Together for Sustainability (TfS) assessments (see box on page 116).

We have suppliers with a high potential **sustainability risk** evaluated by third parties, either through sustainability evaluations or on-site audits. The list of suppliers to be assessed is updated every year. Sustainability evaluations and on-site audits are mainly conducted according to the TfS framework. A total of 79 raw materials supplier sites were audited on sustainability standards on our behalf in 2022. We received sustainability evaluations for 963 suppliers. We also take into account other certification systems and external audits, such as the Roundtable on Sustainable Palm Oil, when assessing our suppliers. Depending on business requirements, we additionally conduct our own Responsible Care audits at selected suppliers (see page 123).

<sup>1</sup> "Local" means that a supplier is located in the same region (according to BASF's definition) as the procuring company.

## Audit results

We carefully analyze the results of our assessments and document them in a central database. Over the past few years, we have identified some need for adjustment at our suppliers with respect to environmental, social and governance standards, for example in waste management, or deviations in occupational health and safety measures and standards under labor law. Follow-up audits performed in 2022 identified improvements in these areas. Again in 2022, none of our audits identified any instances of forced labor, child labor or dangerous work and overtime performed by persons under 18.

We maintained close dialog with our South African platinum supplier **Sibanye-Stillwater**<sup>1</sup> in 2022 on the results of the audit from 2020, the implementation of the resulting action plan, and other relevant topics. This includes working with stakeholders to take a unified approach to local community development. All the needs for adjustment identified in the 2020 audit had been addressed by the end of 2022. BASF and Sibanye-Stillwater have agreed that future audits will follow the Initiative for Responsible Mining Assurance (IRMA) mining standard. Sustainability topics are discussed on a quarterly basis. Sibanye-Stillwater is a member and supporter of the International Platinum Group Metals Association (IPA) sustainability initiative that was co-founded by BASF. Measures include conducting comprehensive sustainability audits and sharing factors for success. The regular dialog with stakeholders continued in 2022. In addition, Sibanye-Stillwater has directly involved relevant stakeholders in Germany and South Africa in its own stakeholder dialog.

In 2022, the war of aggression in Ukraine also impacted the business relationship with our Russian raw materials supplier **Nornickel**. This could not be continued to the extent planned. We nevertheless maintain regular dialog with Nornickel, are monitoring the situation and events from a sustainability perspective, and are in contact with civil society groups. Topics addressed include the findings from the mining-specific TfS audits. TfS audits were carried

out at Nornickel's site in Polar, Russia, in the fourth quarter of 2021. The results of these audits were discussed with Nornickel and follow-up measures were evaluated. Nornickel continues to seek membership in internationally recognized industry initiatives that provide third-party verification of mining and responsible procurement standards, such as IRMA or the International Council on Mining and Metals (ICMM). However, this is only possible to a limited extent in the current environment.

## Supplier development

If supplier assessments identify deviations from standards, we ask suppliers to develop and implement corrective measures within a reasonable time frame in a clearly defined follow-up process. We support them in their efforts. In South America, for example, over 300 employees of suppliers participated in a webinar on compliance and human rights in the supply chain. Together with Mercedes-Benz, we also organized a workshop in the region focusing on gender equality, which was attended by 22 logistics service providers. An important part of supplier development in 2022 was also the sustainability webinars held by TfS together with EcoVadis in various languages, with a total of over 1,900 participants. In addition, the new TfS Academy online learning platform is aimed at buyers and suppliers. It covers the entire spectrum of ESG topics. There are currently over 335 courses available in 10 different languages.

We review our suppliers' progress according to a defined time frame based on the sustainability risk identified, or after five years at the latest. In the case of serious violations of the standards defined in our Supplier Code of Conduct or international principles, we reserve the right to impose commercial sanctions. These can go as far as termination of the business relationship. In 2022, this happened in one case.

## Good to know

### Together for Sustainability (TfS)

BASF is a founding member of Together for Sustainability. The initiative was established in 2011 to improve sustainability in the supply chain. The focus is on the standardization, simplification and mutual recognition of supplier audits and assessments. Suppliers are evaluated by independent experts either in on-site audits or online assessments. The latter are conducted by EcoVadis, a ratings agency specialized in sustainability evaluations. At the end of 2022, TfS had 40 members with a combined procurement spend of around €400 billion. A total of 378 audits and 8,386 online assessments were performed in 2022. As a TfS member, BASF itself is assessed and in 2022 was again ranked among the top 1% companies worldwide in the sustainable procurement category. BASF is involved in the further development of TfS, for example, in activities to standardize the calculation of Scope 3 greenhouse gas emissions in the supply chain (see page 139).

<sup>1</sup> In 2012, an extended strike at a platinum mine in Marikana, South Africa, culminated in a violent confrontation between mine workers and armed South African police. Employees of the former mine operator, Lonmin, were among the fatalities. Ownership of the Marikana mine was transferred to Sibanye-Stillwater in 2019. For more information on the supplier relationship with the Sibanye-Stillwater mine, see [basf.com/en/marikana](https://www.basf.com/en/marikana)

## [Raw Materials]

GRI 3, 203, 204, 301, 304, 308, 413, 414



**In 2022, BASF purchased a total of around 35,000 different raw materials from more than 6,500 suppliers. We want to use these resources efficiently and responsibly. The BASF Verbund and our focus on the circular economy are key strategic building blocks here. We expect our suppliers to source and produce raw materials in line with environmental and social requirements. We support them as part of our supplier management, for example, or with various sustainability projects along the raw materials supply chain.**

### At a glance

**~35,000**  
different raw materials  
purchased

**1.2 million**  
metric tons  
renewable raw materials  
purchased

- BASF's Verbund concept enables the efficient use of resources
- Recycled and renewable raw materials are gaining in importance
- Numerous projects to improve supply chain sustainability

### Strategy and governance

Our strategy covers the entire value chain – from responsible procurement and the efficient use of raw materials in our own processes and recycling by-products to developing resource-saving solutions for our customers. We want to decouple growth from resource consumption with process and product innovations and to accelerate the shift toward **closed-loop systems**.

A Corporate Center unit sets binding, Group-wide purchasing guidelines for raw materials procurement. They are supplemented

by specific internal requirements, for example, on sourcing palm-based raw materials or certain mineral raw materials. We use a multi-stage control process to ensure compliance with these requirements.

Alongside economic, environmental and social criteria, we also consider aspects such as product safety and supply security when selecting suppliers and raw materials. Our expectations of our suppliers are laid down in our Supplier Code of Conduct (see page 115). We take a closer look at suppliers in critical supply chains, for example, mineral raw materials and renewable resources, a number of pigments and highly toxic substances. Upstream stages of the value chain are assessed for serious sustainability risks and, if necessary, suitable remedial measures are identified. In addition, we develop and test approaches to make the supply of raw materials more sustainable in joint initiatives with suppliers and other partners. Examples include our cooperative ventures and investments for recycling lithium-ion batteries (see page 120) and our joint activities on certified sustainable supply chains for renewable raw materials such as palm, palm kernel and castor oil.

**BASF's Verbund concept** is key to making the use of raw materials in our own processes as efficient as possible: Intelligently linking and steering our plants and processes creates efficient value chains. By-products from one facility are used as feedstocks elsewhere. This saves raw materials and energy. At the same time, the Verbund offers many opportunities to use renewable and recycled raw materials. We want to better leverage this potential going forward and gradually replace fossil resources with renewable energies and alternative feedstocks, both in our energy supply (see page 137) and in our production.

Resource efficiency and stewardship are also becoming increasingly important for our customers. That is why we are constantly working to reduce the resources consumed in the manufacturing of our products, for example through more efficient processes and innovative technologies. This enables us to offer our customers solutions that make a greater contribution to sustainability, like a smaller carbon footprint or better biodegradability. Our products

also improve resource efficiency and sustainability at many points along the value chain. For example, BASF additives increase the service life and mechanical recyclability of plastics, which saves fossil resources, reduces CO<sub>2</sub> emissions and enables a circular economy.

[For more information on our supplier management, see page 114 onward](#)  
[For more information on the circular economy, see page 43](#)

### Fossil and petrochemical resources

BASF's most important raw materials (based on volume) include gas and crude oil-based petrochemical products such as naphtha and benzene. We mainly use liquid gas and natural gas as a fuel to generate energy and steam, and as a raw material to produce key basic chemicals such as ammonia or acetylene. Naphtha is mainly fed into our steam cracker, where it is split into products such as ethylene and propylene – both important feedstocks for numerous BASF value chains. We use aromatics such as benzene or toluene to manufacture engineering plastics, among other products. Thanks to a high degree of forward and backward integration, we can produce feedstocks for our value chains efficiently while conserving resources within the BASF Verbund. This increases supply security and strengthens our resilience to fluctuations in the supply chain. We source key raw materials from different suppliers to minimize supply risks.

As part of our efforts to improve sustainability, we are continuously investigating whether fossil and petrochemical resources can be replaced with non-fossil or recycle-based alternatives. When making decisions, we take into account economic, environmental and social aspects, as well as other important criteria like supply security, and process and product safety.

## Good to know



## BASF's natural gas supply in Europe

Natural gas is one of BASF's most important feedstocks. We use it as a fuel for energy supply as well as a raw material for the production of basic chemicals. BASF's natural gas demand in Europe was 32 terawatt hours in 2022. The Ludwigshafen site in Germany accounted for around 24 terawatt hours, with around 50% used for central electricity and steam generation.

The supply situation for natural gas in Europe has changed significantly with the war in Ukraine and the progressive loss of Russian gas supplies. Although all of BASF's European sites could be supplied from our Western European suppliers in line with demand in 2022, this was at significantly higher and volatile prices. Compared with 2021, the additional cost of natural gas for BASF's European sites totaled €2 billion; compared with 2020, the increase was as much as €3.4 billion.

Since March 2022, we have reduced our natural gas demand in Europe through various measures. These include technical optimizations in BASF's production network and switching to other

fuels wherever possible. In addition, we reduced production volumes at some plants with a high natural gas demand and purchased raw materials such as ammonia.

We are continuously monitoring the market and political environment and will decide what adjustments we may have to make in supply and production depending on the situation. The same applies in the event of a potential gas shortage, which would result in natural gas allocation in Germany. If this were to occur, we currently assume that BASF would receive sufficient natural gas to maintain operations at the Ludwigshafen site at a reduced load.

We are doing everything we can to reduce our dependence on fossil energy, especially natural gas, even faster. Our focus here is on further increasing energy efficiency, a rapid switch to renewable energies in the power supply, and new electricity-based production technologies (see page 135).

## Renewable resources

In addition to fossil resources, we employ renewable raw materials, mainly based on vegetable oils, fats, grains, sugar and wood. In 2022, we purchased around 1.2 million metric tons of renewable raw materials. We use these to produce ingredients for the detergent and cleaner industry and natural active ingredients for the cosmetics industry, for example. We also use renewable feedstocks such as biomethane and bio-naphtha in our Verbund as an alternative to fossil resources. The mass balance approach allows us to allocate the amount of renewable resources used to a wide variety of end products (see box on page 121). Examples include biomass balance coating solutions for the automotive industry such as CathoGuard® 800 ReSource and iGloss® matt ReSource, various biomass balance versions of Trilon® and Sokalan® products for the detergent and cleaner industries, or biomass balance styrene as a precursor for numerous styrenics, including the insulating materials Styropor®, Neopor® and Styrodur®.

Our aim is to continuously increase the share of renewable raw materials in our value chains. As for fossil raw materials, we also consider economic criteria, aspects of supply security, and process and product safety, as well as the potential **impact on sustainability** along the value chain. Alongside positive effects like reducing greenhouse gas emissions, these can also have negative effects on areas such as biodiversity, land use or working conditions, depending on the raw material. This is why we carefully weigh up the advantages and disadvantages of using renewable resources, for example with Eco-Efficiency Analyses. At the same time, we seek dialog with our stakeholders to raise awareness of conflicting goals. We also take into consideration recognized certification standards such as the Roundtable on Sustainable Palm Oil (RSPO) in our decisions.

As part of our commitment to greater sustainability, we concentrate on value chains that are relevant quantitatively or that do not yet have certification standards. We are also working on product innovations and on enhancing our production processes to improve the profitability and competitiveness of renewable resources. For

example, we are developing innovative processes such as biocatalysis and fermentation for the production of vitamins and enzymes, and driving forward white biotechnology for the production of chemical components from renewable resources.

**Palm oil, palm kernel oil** and their derivatives are some of our most important renewable raw materials. We mainly use these raw materials to produce ingredients for the cosmetics, detergent, cleaner and food industries. We aim to ensure that palm-based raw materials come from certified sustainable sources. We have been a member of the RSPO since 2004 and are involved in other national and international initiatives, such as the German Forum for Sustainable Palm Oil and the High Carbon Stock Approach organization. Based on our Group-wide Supplier Code of Conduct (see page 115), we have outlined our expectations of suppliers in the palm-based value chain in an additional sourcing policy (BASF Palm Sourcing Policy). This addresses aspects such as forest and peat conservation, respect of human and labor rights, smallholder inclusion, and certification and traceability standards. As part of our supplier and risk management, we have used the internet platform palmoil.io since 2021 to monitor deforestation activities and other possible breaches of regulations at our suppliers' sites. The annual BASF Palm Progress Report reports on our measures and progress toward more sustainability and transparency in the value chain.

We purchased 191,714 metric tons of palm oil and palm kernel oil in 2022 (2021: 242,946 metric tons). We again met our own voluntary commitment to source only RSPO-certified palm oil and palm kernel oil. This avoided more than 290,000 metric tons of CO<sub>2</sub> emissions compared with the procurement of conventional palm oil and palm kernel oil. We were able to trace 97% of our global palm footprint to oil mill level as of the end of 2022 (2021: 96%). In addition, we maintained the RSPO supply chain certification of our sites for cosmetic ingredients. At the end of 2022, 25 production sites worldwide were certified by the RSPO (2021: 26).

As part of our voluntary commitment, we also aim to procure the main derivatives<sup>1</sup> based on palm oil and palm kernel oil entirely from certified sustainable sources by 2025.

We source most of our palm-based raw materials from Malaysia and Indonesia. Smallholders account for around one-third of the total volumes produced there. We have worked together with The Estée Lauder Companies, the RSPO and the non-governmental organization Solidaridad in Indonesia since 2019 to expand our supplier base for RSPO-certified palm oil products while strengthening smallholder structures and sustainable production methods at local level. The project in the province of Lampung supports around 1,000 independent smallholders in improving their livelihoods and the sustainable production of palm oil and palm kernel oil. The focus is on efficient and sustainable farming practices and health and safety standards. The goal is for at least one-third of program participants to become certified according to the RSPO Smallholder Standard in three years.

Also important for BASF, albeit at a much smaller scale, is **castor oil**. We use castor oil to manufacture products such as plastics and ingredients for paints and coatings, as well as products for the cosmetics and pharmaceutical industries. With the objective of establishing a certified sustainable supply chain for castor oil, we launched the Sustainable Castor Initiative – Pragati in 2016 together with the companies Arkema and Jayant Agro and with Solidaridad. The initiative aims to improve the economic situation of castor bean farmers in India and, at the same time, raise awareness of sustainable farming methods. Over 80% of the world's castor beans are produced in India, mainly by smallholders. As part of Pragati, smallholder farmers receive training on topics such as cultivation methods, efficient water use, health and the safe use of crop protection products based on a specially developed sustainability code, SuCCESS. Since the project was initiated, more than 6,200 smallholders and over 19,000 hectares of land have been certified for sustainable castor cultivation. Yields from this land were 22% higher than average amounts for the region published by the

local government for the 2021/2022 harvest cycle. In addition to SuCCESS, the Sustainable Castor Association (SCA), which was launched in 2019 by the founders of the Pragati initiative, has also developed a sustainability code for the wider supply chain. This will allow castor beans obtained from the program to be further processed into certified castor oil and derivatives and to be introduced into the downstream supply chain. In 2022, we again sourced certified sustainable castor oil from the program and became the first chemical company in the world to successfully complete the certification process at our Düsseldorf-Holthausen site in Germany. The site supplies customers with the first certified products based on certified sustainable castor oil.

We are also driving the market transformation toward certified, sustainably sourced oleochemicals for another renewable raw material: **coconut oil**. We use coconut oil to manufacture ingredients for products such as detergents, cleaning agents and cosmetics. Following the successful completion of a cooperative project between BASF, Cargill, Procter & Gamble and the German Agency for International Cooperation (GIZ) in 2019 to establish a certified supply chain for coconut oil, our production site in Cassina Rizzardi, Italy, became the first BASF site to successfully undergo certification under the Rainforest Alliance Mass Balance Coconut scheme in 2022. This makes BASF the world's first chemical company to offer certified sustainable ingredients for personal care products based on coconut oil.

Plants also form the basis of many other products in our portfolio for cosmetics. These include our biopolymers, which we have been offering under the Verdessence™ brand since 2022, and our bioactives. Through sustainable sourcing practices, we aim to preserve ecosystems and enable sustainable management for the people whose livelihoods depend on them. For example, we have already been combining economic, environmental and social aspects for several years in our holistic procurement initiatives for argan (Morocco), rambutan and galangal (both Vietnam). With the **Responsibly Active program** initiated in 2022, we are bundling our

<sup>1</sup> Fractions and primary oleochemical derivatives and vegetable ester oils

existing activities even more effectively with a focus on three pillars: innovating products that protect natural resources; empowering and respecting people along our value chain; and reducing our climate impact and operational footprint. For instance, the program focuses on climate-neutral production sites and product transportation or full traceability in the plant supply chain.

For more information on biodiversity, see page 147 onward

For more information on our voluntary commitment to palm oil products and the Palm Progress Report, see [basf.com/en/palm-dialog](https://basf.com/en/palm-dialog)

Learn more about the Responsibly Active program at [carecreations.basf.com/responsibly-active](https://carecreations.basf.com/responsibly-active)

## Recycled feedstocks

Recycling is playing an increasingly important role due to limited resources, growing sustainability requirements in the markets, and regulatory developments. That is why we want to increase the use of recycled feedstocks with our Circular Economy Program: From 2025 onward, we aim to process around 250,000 metric tons of recycled and waste-based raw materials every year worldwide, replacing fossil raw materials.

A focal point of our activities here is the **chemical recycling** of plastics. This technology complements mechanical recycling and can help to reduce the amount of plastic waste that is disposed of in landfills or thermally recovered. Chemical recycling breaks down plastics into their building blocks or converts them into basic chemicals. Different methods are used to achieve this.

In our ChemCycling™ project, our technology partners use the pyrolysis process to extract pyrolysis oil from mixed plastic waste or used tires, which are not mechanically recycled as of yet. We feed the pyrolysis oil into the BASF Verbund as a substitute for fossil raw materials and manufacture new products from it using the mass balance principle (see page 121). Our customers can process these mass balance products in the same way as conventional products. Our portfolio of Cycled™ products now comprises more than 200 products, which our customers use for a wide range of applications – from transport cases for temperature-sensitive drugs to high-performance plastics for the automotive industry and functional textiles. In addition to our existing partnerships and to further expand our supply base for pyrolysis oil, we concluded a framework agreement with Arcus Greencycling Technologies in 2022. The company is currently commissioning a process demonstration unit to produce pyrolysis oil from mixed plastic waste that is not recycled mechanically on a commercial scale. The long-term goal of the agreement is to support capacity growth and enable offtake of up to 100,000 metric tons of pyrolysis oil per year.

In a cooperative project with KraussMaffei, Rampf and Remondis launched in 2022, we want to develop a process to chemically

recycle polyurethane rigid foam waste from refrigerators and freezers. Polyurethane is used as an insulation material in these electrical appliances. The project focuses on the depolymerization process and the challenge of recovering high-quality recycled polyols despite high levels of impurities in the waste stream. Initial trials with regrind from discarded old appliances have already produced positive results.

In addition, BASF continues to drive forward the recycling of foam from used mattresses. Using a process developed by BASF, monomers can be recovered from the flexible polyurethane and used to produce new mattresses.

We have many years of experience and a high degree of specialization in **recycling precious metals** such as platinum, palladium and rhodium. They are used in automotive catalysts as well as in process and chemical catalysts. We primarily use the precious metals recovered in this way as feedstocks to manufacture new products for the automotive, chemical, electronics and green hydrogen industries. The carbon footprint for recycled precious metals is up to 90% lower than for primary metals from a mine. In 2022, we established a joint venture with Heraeus to enable a local supply of recycled precious metals for the Chinese market. BASF HERAEUS Metal Resource Co., Ltd. is based in Pinghu, China, where a new plant for recovering precious metals from spent automotive catalysts will also be built by 2023.

With the rapidly growing market for electric vehicles, there is also an increasing need for **recycling lithium-ion batteries**. As a leading producer of battery materials with local production capacities in the three main markets – Asia, Europe and North America – BASF has in-depth expertise in battery chemistry and process technology. We are utilizing these competencies to address battery recycling as an additional growth market in cooperation with partners along the value chain (see page 30). In this way, we want to ensure that valuable metals remain in the production cycle for as long as possible. This conserves resources and significantly reduces the carbon footprint of cathode active materials compared with the industry standard. A prototype plant for battery recycling will be



constructed at the Schwarzheide site in Germany in 2023. The prototype plant will allow for the development of new operating procedures and optimization of technology to deliver superior recovery rates of lithium, nickel, cobalt and manganese. The focus is on both spent lithium-ion batteries and products from cell manufacturers and battery material producers that do not meet product specifications. In addition, a new plant for the production of black mass from batteries on a commercial scale will be built in Schwarzheide by 2024. The investments aim to establish the full battery recycling value chain at BASF.

 For more information on the circular economy, see page 43

## Mineral raw materials

We procure a number of mineral raw materials, which we use to produce automotive and process catalysts or battery materials for electromobility, among other products. We are continually improving our products and processes to minimize the use of primary mineral raw materials. At the same time, we are driving forward the recycling of mineral raw materials, for example, by recovering and reusing valuable metals from catalysts and lithium-ion batteries (see “Recycled feedstocks”).

Sourcing mineral raw materials responsibly is important to BASF. We have implemented the E.U. Conflict Minerals Regulation. This defines supply chain due diligence for tin, tantalum, tungsten, their ores and gold (3TG) imported into the E.U. from conflict-affected and high-risk areas (CAHRAs).

In addition, BASF is committed to responsible and sustainable global supply chains for other mineral raw materials. These include **cobalt**, a key component in the production of battery materials. We have organized our cobalt supply chain according to established sustainability guidelines such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals. Our goal is to not purchase cobalt from artisanal mines as long as responsible labor, social and environmental standards cannot be verified.

## Good to know



## The mass balance approach

Many BASF value chains start in syngas plants or steam crackers, where fossil resources, mostly natural gas and naphtha, are converted into hydrogen and carbon monoxide or important basic chemicals such as ethylene and propylene. These are used to create thousands of products in the BASF Verbund.

Alongside fossil resources, we use bio-based and recycled raw materials such as bio-naphtha, biomethane or pyrolysis oil as feedstocks in the Verbund. Alternatives like these are used in place of fossil feedstocks for our mass balance products. As fossil, bio-based and recycled feedstocks are processed simultaneously, the raw materials cannot be directly physically assigned to resulting derivatives. However, with the help of monitoring and certification by independent third parties such as REDcert<sup>2</sup> or ISCC PLUS, it can be verified that an adequate amount of alternative raw materials has been used for the amount of mass balance sales product. This ensures that fossil raw materials are saved with every sale of these certified products.

Mass balance products are identical in quality to conventionally produced products but the use of alternative raw materials contributes to sustainability, for example, through fewer CO<sub>2</sub> emissions and lower demand for fossil raw materials. This method has already been applied to over 1,000 BASF products including engineering plastics such as polyamide, superabsorbents, dispersions and intermediates.

We share our expertise in numerous stakeholder platforms, including the European Commission's Circular Plastics Alliance, Together for Sustainability and nova-Institute's Renewable Carbon Initiative, to harmonize and standardize different attribution methods and certification schemes for mass balance products.

 For more information on the mass balance approach, see [basf.com/massbalance](https://www.basf.com/massbalance)

Together with BMW, Samsung SDI, Samsung Electronics, Volkswagen and GIZ, we have been involved in the cross-industry Cobalt for Development initiative since 2018. It aims to improve working and living conditions for artisanal miners in the Democratic Republic of Congo. To achieve this, the initiative offers programs such as training on important environmental, social and governance aspects of responsible mining practices. Since October 2020, 14 mining cooperatives in Kolwezi have participated in training on topics such as occupational safety and environmental management. Cobalt for Development also works closely with the Good Shepherd International Foundation to create additional income opportunities for families and improve access to education.

We are also involved in various German and international initiatives to strengthen sustainability and innovation in the value chain for batteries. For example, we are a partner in a consortium led by Systemiq that has received funding of €8.2 million from the German Federal Ministry of Economics and Climate Action to develop a digital product passport for batteries. This aims to address the requirements of the E.U. Battery Regulation and both capture data that maps information about the origin of raw materials and form the basis for an efficient circular economy. Close cooperation with the Global Battery Alliance (GBA) will also ensure the global compatibility of the digital battery passport. Co-founded by BASF in 2017, the GBA has over 120 members and promotes dialog between business, governments and civil society. It aims to establish a sustainable and responsible circular economy for batteries by 2030 and is developing the tools to steer this. One of these is the Greenhouse Gas Rulebook, which the GBA unveiled in 2022. As the first framework of its kind, it contains around 80 specifications and rules for the globally harmonized – and therefore comparable – measurement of greenhouse gas emissions along the battery value chain.

Together with BMW, Mercedes Benz Group, Fairphone and Volkswagen, we have also been a member of the Responsible Lithium Partnership since 2021. It advocates for the responsible use of natural resources in Chile's Salar de Atacama, home to the world's largest **lithium** reserves and a significant portion of global production. As a first step, GIZ was commissioned to organize a local

multi-stakeholder platform on the water-related opportunities and risks of lithium and copper mining and other economic activities such as agriculture and tourism. The goal of the platform is to reach a common understanding on the status quo and to develop a vision for the future of the Salar de Atacama watershed together with local interest groups. In addition, potential risks are to be minimized and opportunities promoted through the development and implementation of joint action plans. BASF also participated in a study organized by BMW together with experts from the University of Alaska and the University of Massachusetts to investigate hydrological conditions in the Salar de Atacama. The results of this study are now available and will be incorporated as an important component of the Responsible Lithium Partnership's work.

Another mineral raw material that BASF processes is **mica**. As a base for effect pigments, it is mainly used in the production of coatings and seed coatings. BASF is conscious of its social responsibility with regard to mica sourcing and applies high standards, which, among other things, exclude child labor. Suppliers are asked to source mica in accordance with our Supplier Code of Conduct. As a member of the Responsible Mica Initiative (RMI), we advocate for the eradication of child labor and unacceptable working conditions, specifically in India's mica supply chain. The initiative focuses on labor standards, strengthening local communities and legal frameworks. As RMI's most recent progress report shows, activities in the relevant regions of India have already led to improved income and living conditions. These include improved access to clean drinking water through the installation of pumps and filtration systems and improved access to health care through doctors' visits in villages and enrollment in public health insurance plans.

For more information on the Cobalt for Development project, see [basf.com/cobalt-initiative](https://basf.com/cobalt-initiative) and [cobalt4development.com](https://cobalt4development.com)

For more information on the Global Battery Alliance, see [globalbattery.org](https://globalbattery.org)

For more information on the Responsible Mica Initiative, see [responsible-mica-initiative.com](https://responsible-mica-initiative.com)

## We Produce Safely and Efficiently

Protecting people and the environment is our top priority. Our core business – the development, production, processing and transportation of chemicals – demands a responsible approach. We address environmental, health and safety risks with a comprehensive Responsible Care Management System. We expect our employees and partners to know the risks of working with our products, substances and plants and to handle these responsibly.

In this section:  
 EHSQ Management Systems  
 Health and Safety, Emergency Response  
 Product Safety  
 Transportation Safety  
 Energy and Climate Protection  
 Emissions to Air, Waste and Remediation  
 Water  
 Biodiversity

### Our EHSQ Management Systems

GRI 2, 3, 303, 403, 418



Safety and quality are our number one priorities. That is why we have established comprehensive management and control systems. Our Responsible Care Management System comprises the global directives, standards and procedures for environmental protection, health and safety (EHS). Our Quality Management System aims to ensure the high quality of our products, processes and services and enable our employees to best meet our customers' needs.

#### At a glance

**115**  
 environmental and safety  
 audits

**€270 million**  
 invested in environmental  
 protection plants and facilities<sup>a</sup>

- Global EHS guidelines and standards
- Quality management with a focus on customer satisfaction
- Risk-based site audits

<sup>a</sup> Investments comprise end-of-pipe measures as well as integrated environmental protection measures.

### Responsible Care Management System

BASF is actively involved in the International Council of Chemical Associations' global Responsible Care® initiative. Our Responsible Care Management System covers the environmental protection, health and safety aspects that we have identified as material at different stages of our value chain – from the transportation of raw materials to production at our plants, activities at our sites and warehouses, and distribution of our products down to our customers' application of our products. The Environmental Protection, Health, Safety and Quality unit in the Corporate Center defines Group-wide management and control systems and monitors compliance with internal requirements and legal regulations, while the sites and Group companies implement these requirements locally. Our global network enables information and insights to be shared across the BASF Group on an ongoing basis.

Our policies and requirements are continuously updated. We also maintain dialog with government institutions, associations and international organizations for this reason. We set ourselves ambitious goals for environmental protection, health and safety (see page 36). We regularly review our performance and progress with audits. We assess the potential risks and weaknesses of all our major activities – from research and development and production to logistics – and the potential effects of these on the safety and security of our employees, plants, the environment and our surroundings. We use databases to record accidents, near misses and safety-related

incidents at our sites as well as along our transportation routes. This documentation helps us to continuously improve. Appropriate measures are derived according to specific cause analyses.

For more information on Responsible Care®, see [basf.com/en/responsible-care](https://basf.com/en/responsible-care)

### Quality Management System

Our Quality Management System comprises our EHSQ policy as well as further standards, guidelines and processes for quality management along the value chain. Our Quality Management System is risk-based, process-oriented and focused on customer satisfaction. Its mandatory elements are set out in a Corporate Requirement. These include core processes such as nonconformance management, the procedure for product recalls, change management and the performance of internal audits. Local implementation of the central requirements defined by the Environmental Protection, Health, Safety and Quality unit in the Corporate Center is the responsibility of our business units and sites.

### Responsible Care audits

Regular audits help ensure that our safety, security, health and environmental protection standards are met. We conduct regular audits every three to six years at all BASF sites and at companies in which BASF is a majority shareholder. We take a **risk-based approach** here. An audit database ensures that all sites and plants worldwide are regularly audited. We have defined our regulations for Responsible Care audits in a global Corporate Requirement. The Board of Executive Directors is regularly informed about the results of the audits.

Newly acquired sites and companies are generally audited for the first time after the integration phase is complete, generally within one to two years depending on complexity and size.

During our audits, we create a safety and environmental profile that shows if we are properly addressing the hazard potential. If this is not the case, we agree on corrective measures to be implemented within a certain time frame depending on the identified hazard potential. We monitor this in follow-up audits, among other things.

In the BASF Group in 2022, 115 environmental and safety audits were conducted at 73 sites (2021: 143 audits at 71 sites). The sites were audited based on their individual risk profile. Auditing of the sites acquired from Solvay started as planned in 2022 but will need to continue in 2023 due to local coronavirus restrictions. In addition, 16 sites were audited on occupational medicine and health protection (2021: 13). Online audits were conducted for four of these sites. These remote audits focused on documented processes and management systems.

[For more information on occupational and process safety and health protection, see page 125 onward](#)

### External certification

We pursue a **decentralized certification approach** for our business units and Group companies. This takes into account local needs, internal and legal requirements, and our customers' requirements.

Our Responsible Care audit system complies with the ISO 19011 standard and is certified according to ISO 9001. Worldwide, 132 BASF production sites are certified in accordance with ISO 14001 (2021: 130). In addition, 59 sites worldwide are certified in accordance with ISO 45001 (2021: 54). Several BASF sites also have an ISO 17020-accredited inspection body for user inspection or an ISO 17025-accredited analytical laboratory for environmental emissions analyses.

Based on our customers' requirements, quality management at our production sites is generally certified according to external international standards such as ISO 9001, GMP, FAMI QS or IATF 16949.

### Costs and provisions

We continually invest in reducing the impact of our actions on the environment. We also establish appropriate provisions for environmental protection measures and the remediation of active and former sites.]

[For more information, see Notes 9 and 23 on pages 229 and 266](#)

#### Costs and provisions for environmental protection in the BASF Group

Million €

	2022	2021
Operating costs for environmental protection	1,305	1,133
Investments in new and improved environmental protection plants and facilities <sup>a</sup>	270	239
Provisions for environmental protection measures and remediation <sup>b</sup>	946	926

<sup>a</sup> Investments comprise end-of-pipe measures as well as integrated environmental protection measures.

<sup>b</sup> Values shown refer to December 31 of the respective year.



Material topics in focus:  
**Occupational Safety, Process Safety and Health Protection**

GRI 2, 3, 403, 410, 413



**For occupational and process safety as well as health protection, we rely on comprehensive preventive measures. We count on the active involvement of all employees and contractors here. Our safety concepts are designed to provide the best possible protection for employees, contractors and our sites' neighbors, and to prevent damage to property and the environment.**

**At a glance**

**0.3**  
 Lost-time injuries  
 process safety incidents per  
 200,000 working hours<sup>1</sup>

**0.3**  
 Process safety incidents per  
 200,000 working hours<sup>1</sup>

- Global health and safety standards
- Strengthening risk awareness and mindful behavior
- Intensive dialog on safety topics

**Strategy and governance**

The safety of our employees, contractors and neighbors, and protecting the environment is our top priority. That is why we set binding global standards for occupational and process safety as well as health protection. Our sites and Group companies are responsible for implementing and complying with Group-wide guidelines and local requirements. They are supported in this task by a global network of experts. The Environmental Protection,

Health, Safety and Quality unit in the Corporate Center performs regular audits to ensure compliance with the requirements.

We pursue ambitious targets for occupational and process safety as well as for health protection (see page 36). As part of our continuous improvement process, we regularly monitor progress toward our goals. We critically reviewed our occupational and process safety targets and key performance indicators in 2022. As a result, we will update our targets and report according to a new system in 2023. This will focus on high-severity work-related accidents and incidents and provide greater transparency. Our reporting continues to be based on established industry standards, with a stronger focus on people and our plants.

We document and analyze accidents and incidents as well as their causes and consequences in detail at a global level to learn from these. We see hazard assessments and the risk minimization measures derived from them as an important prevention tool.

With a culture of dealing openly with mistakes, systematic hazard assessments, division and site-specific safety activities, ongoing qualification measures and dialog across BASF's global network, we



Safety is always BASF's number one priority. In addition to conventional precautions, we also use digital plant safety technologies to identify potential risks and further reduce the number of process safety incidents through predictive maintenance, for example.

<sup>1</sup> Hours worked by BASF employees, temporary employees and contractors

want to strengthen **risk awareness** among our employees and contractors, share examples of good practice and in this way, continually develop our safety culture.

Leaders are important role models for employees, which is why environmental protection, health, safety and security are discussed with newly appointed senior executives. Senior executives with a particular responsibility for such topics, for example, in production, also receive specific further training to be able to meet their responsibilities. Other events and initiatives in 2022 also focused on the high relevance of safety topics and dialog among our leaders. These included regular regional and global employee events and the "Safety call to action" initiative in North America.

### Occupational safety

To prevent work-related accidents, we encourage and promote risk-conscious behavior and safe working practices, learning from incidents and regular dialog. That is why we are constantly refining and enhancing our global requirements and training.

In addition to the legally required briefings, BASF requires new employees and contractors to complete compulsory **health and safety training**. Employees at our production sites also receive regular training on the safe handling of chemicals and the correct use of personal protective equipment.

We use the number of lost-time injuries per 200,000 working hours (lost-time injury rate, LTI) as a reporting indicator. Our target is to reduce lost-time injuries to a rate of no more than 0.1 per 200,000 working hours by 2025.<sup>1</sup> In 2022, 0.3 work-related accidents per 200,000 working hours occurred at BASF sites worldwide (2021: 0.3). The share of chemical-related accidents increased to 8% (2021: 4%). Unfortunately, there was one fatal work-related accident in 2022 (2021: 1). At the Dachangsha site in China, an employee suffered fatal injuries while performing cleaning

activities. BASF is assisting the authorities in determining the circumstances and cause of the accident.

We do everything we can to prevent accidents and use our findings to take appropriate measures to prevent these from happening again, as far as possible. These include regular campaigns and informational events to raise employees' awareness.

#### 2025 target<sup>1</sup>

Reduce the worldwide lost-time injuries per 200,000 working hours

≤ 0.1

We actively share insights to further increase occupational safety and continually improve our processes and methods. For example, we evaluate trends in data, analyze accidents and potential incidents, and share knowledge and best practices within our global network of experts and as part of safety initiatives. We also seek dialog with government institutions and are actively involved in external occupational safety initiatives and networks around the world led, for example, by the European Chemical Industry Council (CEFIC) or national associations such as the German Chemical Industry Association and the American Chemistry Council.

 For more information on occupational safety, see [basf.com/occupational\\_safety](https://basf.com/occupational_safety)

### Process safety

Process safety is a core part of safe, efficient and thus sustainable production. We meet high safety standards in the planning, construction and operation of our plants around the world. These meet and, in some cases, go beyond local legal requirements.

Our global requirements provide the framework for the safe construction and operation of our plants as well as the protection of

people and the environment. Our experts develop a **safety concept** for every plant that considers the key aspects of safety, health and environmental protection – from plant design to the end of the production phase – and that sets out specific safety measures.

In order to maintain the highest level of safety at our plants worldwide across their entire life cycles, we carry out implementation checks to verify that our protection concepts, safety reviews and resulting safety measures have been carried out in all our plants at timely intervals based on risk potential. We regularly update our plants' safety and security concepts, taking into particular account new findings, technological opportunities and regulatory developments.

We use the number of process safety incidents (PSI) per 200,000 working hours as a reporting indicator. We have set ourselves the goal of reducing process safety incidents to a rate of no more than 0.1 per 200,000 working hours by 2025.<sup>1</sup> In 2022, we recorded 0.3 process safety incidents per 200,000 working hours worldwide (2021: 0.3). We investigate every incident in detail, analyze causes and use the findings to derive suitable measures. We share the findings in our global network in the interest of continuous improvement.

#### 2025 target<sup>1</sup>

Reduction of worldwide process safety incidents per 200,000 working hours

≤ 0.1

To reduce process safety incidents, we focus in particular on technical measures, digital solutions (see box on the next page) and on a leadership culture that places even greater emphasis on process safety and dealing openly with mistakes. In addition, we are continually refining and expanding our training methods and offerings to increase risk awareness and strengthen our safety culture.

<sup>1</sup> Hours worked by BASF employees, temporary employees and contractors. In 2023, we will update this target and report according to a new system.

We play an active role in improving process safety around the world in internal and external networks, through our involvement in organizations such as the International Council of Chemical Associations (ICCA), the European Process Safety Centre (EPSC) and the Center for Chemical Process Safety (CCPS), and by fostering dialog with government institutions.

[For more information on process safety, see basf.com/process\\_safety](https://basf.com/process_safety)

## Health protection

BASF's global corporate health management serves to promote and maintain the health and productivity of our employees. The BASF health checks form the foundation of our global health promotion program and are offered to employees at regular intervals. We also raise employee awareness of health topics with offerings tailored to specific target groups. One example of this is the annual Global Health Campaign, which in 2022 was dedicated to the motto "Good morning – regeneration through sleep." The program included a wide range of virtual and in-person seminars and interactive events on the different factors that influence restful sleep. Over 440 sites took part, offering events such as workshops, courses, lectures and exercises.

We measure our **performance in health protection** using the Health Performance Index (HPI). This has five components: recognized occupational diseases, medical emergency drills, first aid, preventive medicine and health promotion. Each component contributes a maximum of 0.2 to the total score, meaning that the highest possible score is 1.0. We aim to reach a value of more than 0.9 every year. With an HPI of 0.96, we once again reached this in 2022 (2021: 0.96).

In 2022, 38 work-related illnesses among BASF employees worldwide were documented as recognized occupational diseases (2021: 36). The main recognized occupational diseases are occupational asthma, hearing loss, skin diseases, musculoskeletal disorders and cancer.

We successfully continued our proven activities to combat the coronavirus pandemic in 2022, adapted in each case to local infection rates and the on-site risk. Measures included vaccination services, for example with our own vaccination center at our largest site in Ludwigshafen, Germany.

Another focus in 2022 was on influenza prevention. BASF employees could be vaccinated against the seasonal flu at many sites around the world. At the Ludwigshafen site in Germany, for example, around 6,200 employees participated in the influenza vaccination campaign.]

[For more information on occupational medicine, health campaigns and the HPI, see basf.com/health](https://basf.com/health)

## Good to know



## Digitalization in production

Numerous digital solutions and applications are used in BASF's production plants to further increase safety, security, availability and efficiency. One example is creating virtual replicas of production facilities using 3D modeling (digital twinning). This enables us to carry out maintenance and servicing work more efficiently and safely, for example, or further improve employee training. More than 30 3D models are in continuous use at BASF around the world, covering all phases of a plant's life cycle.

Digital tools are also used to access large amounts of data from different sources, intelligently link them together and prepare them for further analysis. This data is analyzed using methods like artificial intelligence (AI) and machine learning, for example, to detect and rectify anomalies relating to the plant at an early stage (predictive maintenance). This reduces unplanned repairs and downtime and optimizes the coordination of maintenance and production processes. Data can also be evaluated using AI methods to improve the production process to reduce energy use or emissions.

## [ Emergency Response, Corporate and Cyber Security ]

GRI 2, 410, 413, 418

SUPPLIERS

BASF

CUSTOMERS

**We aim to avoid safety-related incidents as far as possible with comprehensive preventive measures and clearly defined responsibilities. Should an emergency nevertheless arise, we have established structures and processes that enable effective crisis management.**

### Strategy and governance

We want to be as prepared as possible for crisis situations at global, regional and local level – from process safety incidents and goods spillages to pandemics and cyber attacks – through extensive emergency preparedness and emergency response regulations and measures. That is why our **emergency and crisis management** focuses on the protection of our employees, contractors and neighbors, the safety of our plants and sites, and the protection of our intellectual property. To ensure rapid and effective crisis management, we have defined appropriate structures and processes and laid them down in binding Group-wide guidelines. Our sites and Group companies are responsible for implementing and complying with these internal guidelines and the legal requirements. The Environmental Protection, Health, Safety and Quality unit in the Corporate Center conducts regular audits to monitor this.

Unusual incidents are recorded and reported centrally in accordance with a standard Group-wide procedure (e-Rapid Incident Report). This enables us to identify risks at an early stage and, if necessary, initiate appropriate relief and communication measures. All incidents are carefully followed up on to identify potential for improvement, which is integrated into existing concepts as needed.

### Emergency response

Incidents are initially handled by the local crisis organization or local emergency response team. We have implemented **precautionary organizational measures** with clearly defined responsibilities and procedures at all sites for this purpose. The responsible persons receive regular training. This includes safety and emergency drills, which vary in scope and the number of people involved. Depending on the situation, we also involve business partners and our sites' communities, such as local authorities or neighboring companies, both in drills and in the event of an emergency. Additional teams may be called in for emergencies, depending on the extent of the damage and how it develops.

For example, the Global Crisis Management Support Team (GCMS), led by a member of the Board of Executive Directors, was most recently activated in connection with the coronavirus pandemic. It provides the strategic direction for crisis management and is supported by issue-specific and specialist working groups.

We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the International Chemical and Environmental (ICE) initiative and the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. In 2022, we provided assistance to public emergency response agencies and other companies in 131 cases (2021: 138). This included information on chemicals and their proper disposal, on-site operational support for transportation accidents involving hazardous goods, or information on human biomonitoring. We apply the experience we have gathered to improve our own processes and set up similar systems in other countries.

For more information on emergency response, see [basf.com/emergency\\_response](https://basf.com/emergency_response)

### Corporate and cyber security

We protect our employees, sites, plants and company know-how against third-party interference. Cyber security and information security plays an increasingly important role here. BASF applies the "security by design" principle to critically review and optimize IT applications from a cybersecurity perspective as early as the design phase. We are continually improving our ability to prevent, detect and react to security incidents with various measures and training programs. Our global cyber security team is tasked with protecting our IT systems and the data and business processes they handle. We cooperate with experts and partners in a global network to ensure that we can protect ourselves against cyber attacks as far as possible. Our IT security management system is certified according to DIN EN ISO/IEC 27001:2017. It also supports, in particular, our critical infrastructures in meeting additional compliance requirements such as DIN EN ISO/IEC 27019:2020, IT security catalog and corresponding industry-specific standards (B3S).

Around the world, we work to sensitize our employees about protecting information and know-how. In 2022, we continued to raise employees' risk awareness with mandatory, regular online training for all employees and complementary offerings such as seminars, case studies and interactive training. These increasingly addressed aspects of working practices that have changed as a result of the coronavirus pandemic, such as cybersecurity when working from home.

Our global **network of information protection officers** comprises around 600 employees. They support the implementation of our uniform requirements and hold events and seminars on secure behaviors. Around 58,000 employees had been trained on the basics of cyber security and information protection in 2022. Our standardized Group-wide recommendations for the protection of information and knowledge were expanded in 2022 and updated in line with current developments.



Another cornerstone of corporate security is **site security**. The tasks performed by our security teams range from access controls at our sites to defense against industrial espionage. Aspects of human rights relevant to site security are a component of the global code of conduct and qualification requirements for our internal and external security personnel.

We analyze potential safety and security risks for investment projects and as part of strategic plans, define appropriate safety and security concepts. Our guiding principle is to identify risks for the company at an early stage, assess them properly and derive appropriate safeguards.

We inform business travelers and transferees about appropriate protection measures prior to and during travel in countries with elevated security risks. We continuously update our travel recommendations, for example, as a result of the coronavirus pandemic. After any major incident, we can use a standardized global travel system to locate and contact employees in the affected regions.

## Product Safety

GRI 2, 3, 416, 417

SUPPLIERS

BASF

CUSTOMERS

**We see product safety as an integral part of all business processes, as an element of our risk management, and as an important pillar of our commitment to Responsible Care®. We continuously work to ensure that our products pose no risk to people or the environment when they are used responsibly and in the manner intended.**

### Strategy and governance

We are committed to continuously minimizing the negative effects of our products on the environment, health and safety and to the ongoing optimization of our products. This commitment to product safety is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). Our products should not pose any risk to humans or the environment when used responsibly and in the manner intended. We aim to comply with all relevant national and international laws and regulations.

Our global requirements define rules, processes and responsibilities, for example, to ensure uniformly high product safety standards worldwide. Our sites and Group companies are responsible for implementing and complying with internal guidelines and legal requirements. The Environmental Protection, Health, Safety and Quality unit in the Corporate Center conducts regular audits to monitor this. BASF's global network of experts shares information, insights and best practices around product safety on an ongoing basis.

Before our products are launched on the market, they undergo various tests and assessments – depending on legal requirements and their application profile. Our aim here is to identify potential hazard characteristics as well as health and environmental risks at an early stage. Based on these results, we derive precautionary and

protective measures and develop recommendations for safe handling – from production to application and disposal.

We maintain and evaluate environmental, health and safety data for all of our substances and products in a **global database**. This information is continuously updated. The database forms the basis for communicating this information in our safety data sheets, which we make available to our customers in around 40 languages. These include information on the physical/chemical, toxicological and ecotoxicological properties of products, potential hazards, first aid measures, measures to be taken in the case of accidental release, and disposal. Our global emergency hotline network enables us to provide information around the clock. To ensure that people who buy, sell, use, transport or dispose of our products can quickly find out about our products and the risks associated with them, we use the Globally Harmonized System (GHS) to classify and label our products around the world, provided this is legally permissible in the country concerned. We take into account any national or regional modifications within the GHS framework, such as the E.U.'s regulation on the classification, labeling and packaging of substances and mixtures (CLP Regulation).

If necessary, we advise our customers on product safety. We set guidelines on the safe transport of dangerous goods for our logistics service providers worldwide (see page 134). We also train our employees worldwide on the proper handling and use of selected products with particular hazard potential.

In associations and together with other manufacturers, BASF supports the establishment of voluntary global commitments to prevent the misuse of chemicals. We are also involved at national and international level in various initiatives to further develop risk assessments, such as that of the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC).

### Global chemicals regulations

Most of the products we manufacture are subject to statutory chemicals regulations. We are bound by the relevant regional and national chemicals regulations, which continue to grow in number worldwide. Examples include REACH in the E.U., UK REACH in the United Kingdom, KKDİK in Turkey, K-REACH in South Korea and TSCA in the United States. BASF Group companies work closely together with a global network of experts to ensure that BASF complies with the applicable regulations.

In Europe, the European Commission has developed a roadmap that will bring about far-reaching changes to the regulation of chemicals in Europe in the coming years: the European Green Deal and, as a part of this, the Chemicals Strategy for Sustainability (CSS). BASF supports the objectives of the Green Deal in principle but sees a need for adjustment, greater clarity and predictability, particularly in regulatory matters, to strike a balance between achieving the ambitions of the CSS and safeguarding the long-term competitiveness and future viability of the European chemical industry. As part of the ongoing clarification process, we are therefore seeking dialog with all relevant stakeholders and are advocating for a science-based and innovation-driven development of the regulatory framework.

### Animal welfare in environmental and toxicological testing

Before launching products on the market, we subject them to a variety of tests, including environmental and toxicological tests using state-of-the-art knowledge and technology. If these tests include animal studies, this is generally required by law and necessary to reliably evaluate the safety and efficacy of our products. If we employ animal studies, we adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world. We develop and are continuously optimizing alternative methods to experimentally assess the safety and tolerance of our products

without animal studies. In addition, we are involved in networks such as the European Partnership for Alternative Approaches to Animal Testing to further develop alternative methods across sectors.

Our aim is to replace, reduce or refine animal studies to minimize the impact on them. For example, we use an OECD-certified alternative testing strategy developed jointly with Givaudan for animal-free testing of allergic skin reactions. We also use other alternative methods. In 2022, BASF SE's Experimental Toxicology and Ecology became the first institute in the world to be certified for Good In Vitro Method Practices (GIVIMP). GIVIMP is a standard published by the OECD. It increases the quality of data generated by in vitro test methods and confidence in newly developed non-animal test methods.

### Management of nano- and biotechnology

Nanotechnology and biotechnology offer solutions for key societal challenges – such as environmental and climate protection and health and nutrition. For example, nanomaterials can improve battery performance and biocatalytic methods can improve process resource efficiency. We want to harness the potential of both technologies. Using them safely and responsibly is our top priority. Safe handling of nanomaterials is stipulated in our Nanotechnology Code of Conduct, for instance. Two European Union-sponsored projects on assessing nanosafety – GRACIOUS and PATROLS – were completed with BASF's assistance. The results were documented and communicated in 2022 in numerous publications with BASF's involvement.

 For more information on the GRACIOUS project, see [h2020gracious.eu](https://h2020gracious.eu)

For more information on the PATROLS project, see [patrols-h2020.eu](https://patrols-h2020.eu)



Drones can be used to increase safety and productivity in agriculture. The main advantages compared with conventional backpack spraying are optimized use of crop protection products, reduced risk of product contact and high efficiency in application and collection of field information.

Material topics in focus:

## Product Stewardship for Crop Protection Products and Seeds

GRI 2



**Around the world, farmers are facing enormous challenges: Under changing climatic conditions, they are expected to produce healthy and affordable food for a growing world population – and at the same time, reduce carbon emissions, minimize land consumption and preserve biodiversity. Our products and technologies help them master this complex task.**

As global demand for agricultural products and solutions grows, so does the pressure on farmers. They need to produce more and are expected to simultaneously reduce their environmental footprint. With our integrated offer, we help farmers find the right balance between economic, environmental and societal demands. High-performance seeds from BASF offer benefits such as a higher yield, better quality and greater resilience against environmental influences like drought. Our innovative crop protection products reduce crop losses caused by insect pests, weeds and fungal diseases. Our digital solutions enable, among other things, better soil management and more targeted use of fertilizers and crop protection products by taking important parameters such as plant health, weed density or weather data directly into account during application.

In 2022, we invested €944 million in research and development in the Agricultural Solutions segment, which represents 9% of segment sales. Our well-filled innovation pipeline has a peak sales potential of more than €7.5 billion for products launched by 2032. The main focus here is sustainability, with four key areas: climate-smart farming, sustainable solutions, digital farming and smart stewardship (see box on page 34).

### Strategy

We are continuously improving our farming solutions. Alongside aspects such as efficacy and productivity, this also includes safe application by our customers and impact on the environment.

Crop protection products and seeds are highly regulated at national and international level, which brings with it strict requirements for registering and re-registering active ingredients and crop systems. Regulatory approval is only granted when extensive documentation can be provided showing that our products are safe for people, animals and the environment when used in the manner intended.

As a member of the CropLife International industry association, we are committed to complying with the standards on the research, registration and distribution of crop protection products set out in the International Code of Conduct on Pesticide Management issued by the Food and Agriculture Organization (FAO). In our use of biotechnology, we are guided by the code of conduct set out by EuropaBio, the European biotechnology association, and adhere to the relevant standards and legal regulations governing production and marketing.

Potential risks of our products are assessed and minimized throughout the research, development and registration process, and on an ongoing basis following market registration. We regularly conduct scientific studies and tests, including on modes of action, (eco)toxicological properties and possible residues. This ensures that, as far as possible, our registration dossiers address all questions on potential environmental and health effects.

We adapt our portfolio to the specific requirements of regional markets as customer requirements, crops, soils, climate conditions, plant diseases and farming practices vary around the world. Consequently, product approvals differ from country to country. Distribution generally requires registration and approval of our products in accordance with the respective national regulations.

### Crop protection

BASF adheres to the International Code of Conduct issued by the World Health Organization (WHO) and the Food and Agriculture Organization (FAO) for the distribution of crop protection products. These are only marketed once they have been approved by the relevant authorities. We no longer sell WHO Class 1A or 1B products (high acute oral and dermal toxicity), even if formal approvals exist. Depending on availability, we offer our customers alternatives.

All of BASF's crop protection products can be used safely under local farming conditions if the information and directions on the label are followed. If they have any questions, complaints or issues, our customers can contact us through various channels, for example, by calling the telephone number printed on all product labels, using the contact forms on our websites or by approaching our sales employees directly. We record all product incidents relating to health or the environment that come to our attention in a global database. If necessary, we take appropriate measures on the basis of this information to minimize preventable incidents. These include updating the instructions for use on product labels. We communicate

these changes and general recommendations on the safe use of our products through channels such as our Farmer Field School initiatives in Asia and in training programs such as the On Target Application Academy in the United States.

One of the ways we meet our **commitment to product stewardship** is by offering a wide range of courses and training on the safe storage, handling, use and disposal of our products. This ranges from on-site events to handouts and digital offerings and is aimed at farmers, retailers, consultants and other users. In India, for example, BASF launched the Suraksha Hamesha program. Suraksha Hamesha means "safety all the time." The program creates a platform for educating farmers and other users of crop protection products about the nine steps of responsible use of crop protection products and personal protection. Through Suraksha Hamesha, BASF has trained over 189,000 agricultural workers and around 39,000 users across India since 2016. BASF also involves government agencies and the central government's farm extension teams in these meetings to support and promote farm safety. In addition, digital initiatives reached around 17 million farmers in India and informed them about safety in agriculture.

BASF also promotes new application technologies: In China, for example, more than 1,000 drone pilots were trained in the safe use of crop protection products as part of the Fly with BASF program in 2022.

We also work closely together with associations such as CropLife International and CropLife Europe to promote the safe and proper use of crop protection products. For example, we support stewardship initiatives of both associations and various programs on the proper disposal and recycling of product containers. Technological innovations developed together with industry partners also help to make using crop protection products easier and safer. Examples include the closed transfer systems easyconnect in Europe and the Wisdom system in South America.

### Seeds

Our biotechnology activities and our research and development capabilities comprise advanced breeding techniques, analytics, technology platforms and trait validation. To offer tailor-made, more sustainable crop solutions, our gene identification work focuses on those plant characteristics that enable higher yield and better quality, disease resistance and tolerance of environmental factors such as drought. We apply state-of-the-art scientific methods here such as genetic engineering and selective genome editing.

BASF is a member of Excellence Through Stewardship (ETS), a global industry initiative for seeds. This initiative promotes the adoption of quality management systems for seeds and product stewardship programs covering the entire life cycle. It also has independent auditors verify compliance with its guidelines. In 2022, BASF successfully passed ETS audits on laboratory operations, contained biotech facilities, general stewardship, incident response management and product handling at the Research Triangle Park and Pikevill sites in the United States, Trindade and Primavera do Leste in Brazil, and Bogotá in Colombia.]

 For more information on our Agricultural Solutions segment, see page 88 onward

For more information on biodiversity, see page 147 onward

For more information on risks from litigation and claims, see Note 24 to the Consolidated Financial Statements on page 268

## Transportation Safety

GRI 2, 306



**Our regulations and measures for transportation safety are part of our Responsible Care Management System. These cover the delivery of raw materials, the handling and distribution of chemical products between BASF sites, warehouses and customers, and the transportation of waste.**

### At a glance

#### Zero

Transportation incidents with significant impact on the environment

- Risk minimization along the entire transportation chain
- Risk assessment based on national and international dangerous goods regulations
- Regular review of logistics service providers

### Strategy and governance

Whether by road, rail, ship or air, we want to ensure that our products are loaded, transported and handled in accordance with the relevant regulations and their hazard potential. That is why we depend on global standards, an effective organization, training and reliable logistics partners. Our goal is to **minimize risks** along the entire transportation chain.

All BASF products intended for transport must be clearly identifiable, classified, securely packaged and labeled. The transportation of dangerous goods is subject to mandatory national and international dangerous goods regulations as well as our global guidelines. Our sites and Group companies are responsible for implementing

transportation safety regulations and guidelines. Compliance is regularly monitored by the Environmental Protection, Health, Safety and Quality unit in the Corporate Center using globally standardized transportation safety reviews. External logistics partners are evaluated based on risk either through assessments or on-site audits.

Our global network of BASF experts trains the responsible leaders and their employees on transporting dangerous goods. This network also ensures that information, insights and best practices are shared on an ongoing basis.

### Preventive safety measures

National and international dangerous goods regulations are based on an assessment of transportation risks and define rules and measures for safely transporting dangerous goods. We use various tools to minimize transportation risks. For example, for every dangerous good to be transported, we check in each case whether the packaging has been approved for that product and is suitable for the type of transport. We conduct digital dangerous goods checks before shipping orders are released. In addition, vehicles are subjected to a thorough dangerous goods check prior to loading and rejected if there are any issues.

Above and beyond this, we use our global requirement to specifically assess the safety and environmental risks of transporting and handling raw materials and sales products with high hazard potential. This is based on the Guidance on Safety Risk Assessment for Chemical Transport Operations published by the European Chemical Industry Council (CEFIC).

We stipulate worldwide requirements for our logistics service providers and assess them in terms of safety and quality. Our experts use our own tools as well as internationally approved schemes for evaluation and monitoring. These include the ship

inspection reports issued by the Chemical Distribution Institute (CDI) and the Oil Companies International Marine Forum (OCIMF).

### Transportation incidents

To evaluate transportation safety, we systematically record transportation incidents according to defined criteria. We use the number of transportation incidents<sup>1</sup> as a reporting indicator. In 2022, we recorded 25 transportation incidents worldwide (2021: 21).

A particular focus is incidents involving goods spillages that could lead to significant environmental impacts. These include dangerous goods leaks in excess of 200 kilograms on public traffic routes, provided transport was arranged by BASF. We recorded one incident in 2022 with spillage of more than 200 kilograms of dangerous goods<sup>2</sup> (2021: 3). This incident did not have a significant impact on the environment (2021: 0).

[For more information on transportation safety, see basf.com/distribution\\_safety](https://basf.com/distribution_safety)

<sup>1</sup> Data is collected based on the International Council of Chemical Association's (ICCA) guidance for reporting performance and includes road, rail and container shipping incidents.

<sup>2</sup> Hazardous goods are classified in accordance with national and international hazardous goods regulations.

## Energy and Climate Protection

GRI 2, 3, 201, 302, 304, 305



As an energy-intensive company, we take responsibility for the efficient use of energy and global climate protection. We are committed to the Paris Climate Agreement. Our products and solutions enable a reduction in greenhouse gas emissions in many areas. At the same time, we are working to significantly reduce our own carbon footprint.

### At a glance

**18.4 million metric tons**  
Greenhouse gas emissions<sup>1</sup>

**2.3 TWh**  
Renewable electricity

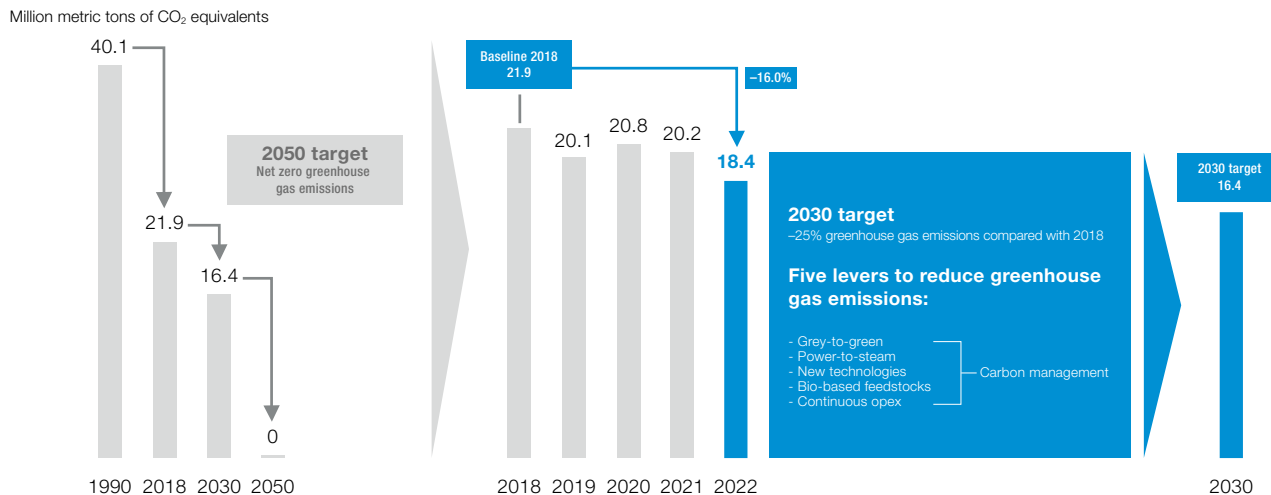
- Corporate and Product Carbon Footprints create transparency
- Ambitious emission reduction targets
- Net Zero Accelerator unit bundles and accelerates projects
- Supplier CO<sub>2</sub> Management Program

### Strategy and governance

Climate protection is very important to us and is an important part of our corporate strategy. We are pursuing ambitious climate protection targets (see “Global targets”), which we aim to achieve with comprehensive carbon management. This includes **five levers to reduce our greenhouse gas emissions and demand for fossil fuel**:

– **Grey-to-green:** We are increasingly meeting our electricity needs from renewable sources (see “Energy supply”).

Schematic overview: Development of the BASF Group's greenhouse gas emissions (Scope 1 and 2)<sup>1</sup>



- **Power-to-steam:** In the future, we will increasingly rely on electrical steam generation and in this way, also tap previously unused waste heat potential (see “Energy supply”).
- **New technologies:** We are developing completely new carbon-free and low-carbon processes and technologies for climate-smart chemistry (see box on page 141).
- **Bio-based feedstocks:** We are increasingly replacing fossil resources with alternative raw materials (see “Raw Materials”).
- **Continuous opex:** Our operational excellence activities continually improve the energy and process efficiency of our plants (see “Energy efficiency”).

We only consider external offsetting measures as a temporary stop-gap if our activities do not make the desired contribution to reducing emissions.

By 2030, we plan to invest up to €4 billion to achieve our climate protection targets.

We have established **organizational structures** to implement our climate protection targets and carbon management activities with even greater focus and speed: The Environmental Protection, Health, Safety and Quality unit in the Corporate Center develops Group-wide guidelines and requirements for collecting emissions and energy data and for energy management. It conducts regular audits to monitor the implementation of and compliance with internal guidelines and legal requirements by our sites and Group companies. The Corporate Strategy & Sustainability unit develops and tracks the BASF Group's climate targets and strategic levers for achieving them based on our corporate carbon footprint. The Net Zero Accelerator unit, which was established in early 2022, focuses on the accelerated implementation of existing and new cross-divisional projects to reduce emissions. The emphasis is on carbon-free and low-carbon production technologies (see page 141), the circular economy (see page 43) and renewable energies (see “Energy

<sup>1</sup> Scope 1 and Scope 2 (excluding the sale of energy to third parties, including offsetting). The target includes greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

supply”). Both Corporate Strategy & Sustainability and Net Zero Accelerator report to the Chairman of the Board of Executive Directors. This integrates climate protection-relevant aspects into strategic decision-making processes and core business activities (see page 47). In parallel, our operating divisions are working on divisional-specific projects to reduce emissions. They are supported here by the global service units.

We report on greenhouse gas emissions in accordance with the Greenhouse Gas Protocol as well as the sector-specific standard for the chemical industry. We consistently align our actions with our climate protection targets, based on a comprehensive analysis of our emissions. Group-wide CO<sub>2</sub> emissions are anchored in the BASF Group's steering and compensation systems as a most important nonfinancial key performance indicator, giving them even more weight. Steering also includes assessing investments and acquisitions with regard to their impact on our climate protection targets.

We are gradually integrating our suppliers into the management of greenhouse gas emissions along the value chain. To this end, we launched the Supplier CO<sub>2</sub> Management Program in 2021 (see “Product Carbon Footprints”).

We offer our customers solutions that help prevent greenhouse gas emissions, and improve energy and resource efficiency. To increase transparency for our customers and target our CO<sub>2</sub> reduction measures to those areas where they bring the greatest added value, we continuously determine the Product Carbon Footprint for around 45,000 sales products (see “Product Carbon Footprints”).

We continuously analyze potential risks to our business operations arising in connection with the topics of energy and climate protection and derive appropriate measures. We support the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD). Since the 2019 reporting year, BASF's annual report has included an overview showing the sections and subsections in

which TCFD-relevant information can be found (see page 19). We also participate in the program established by the international nonprofit organization **CDP** for reporting on data relevant to climate protection and have done so since 2004. BASF again achieved a score of A– in CDP's 2022 climate change questionnaire, maintaining its Leadership status. Companies on the Leadership level are distinguished by factors such as the completeness and transparency of their reporting. They also pursue comprehensive approaches in managing the opportunities and risks associated with climate change as well as strategies to achieve company-wide emission reduction goals.

All parts of society must work together to effectively protect the climate. This is why we support various national and international initiatives and are involved in partnerships. For example, in 2022 we provided funding to help the Science Based Targets (SBTi) initiative launch a project to derive science-based climate protection targets for the chemical sector, in which we are also involved as a member of an advisory group. As part of Together for Sustainability, in 2022 we were involved in the creation of a uniform guideline for calculating the carbon footprint of products in the chemical industry (see “Product Carbon Footprints”).

 For more information on climate protection and carbon management, see [basf.com/climate\\_protection](https://basf.com/climate_protection)

For more information on the CDP climate change questionnaire, see [basf.com/en/cdp](https://basf.com/en/cdp)

## Global targets

Compared with the 2018 baseline, we want to reduce greenhouse gas emissions from our production sites and our energy purchases by 25% by 2030.<sup>1</sup> This means that we aim to reduce greenhouse gas emissions from 21.9 million metric tons to 16.4 million metric tons – despite our growth plans and the construction of a new Verbund site in southern China. This corresponds to a decrease of around 60% compared with 1990. Our long-term goal is net zero greenhouse gas emissions by 2050.<sup>1</sup>

### 2030 and 2050 targets

**-25%**

Reduction in our absolute greenhouse gas emissions by 2030 compared with 2018 (Scope 1 and 2)<sup>a</sup>

**Net zero**

Greenhouse gas emissions by 2050 (Scope 1 and 2)<sup>a</sup>

<sup>a</sup> BASF operations excluding sale of energy to third parties, including offsetting

The BASF Group's emissions reported under these targets in 2022 amounted to 18.4 million metric tons of CO<sub>2</sub> equivalents (2021: 20.2 million metric tons). The increase in natural gas prices in Europe due to the war in Ukraine, weaker demand due to a slowing economy over the course of the year and several lockdowns in China led to a significant reduction in production volumes and, as a result, emissions in 2022. This particularly affected the emissions-intensive ammonia value chain. The share of electricity from renewable sources was kept roughly constant compared with the previous year and, together with measures to increase energy and process efficiency, made a relevant contribution to reducing emissions.

 For more information on climate protection, see page 27

A projection of greenhouse gas emissions in 2023 can be found in the forecast from page 154 onward

<sup>1</sup> Scope 1 and Scope 2 (excluding the sale of energy to third parties, including offsetting). The target includes greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e).



## Energy supply

Our total energy consumption was 52.9 million MWh in 2022 (2021: 58.8 million MWh), significantly below the prior-year figure due to the lower production levels. Total energy consumption includes fuel demand in our own central power and steam generation plants, primary energy requirements in our process plants, and net power and steam imports.

To generate our own steam and power, we mainly use natural gas (77.4%) and substitute fuels (17.5%). The latter are residues from chemical production plants that cannot be reused in the BASF Verbund. In 2022, we covered more than 54% of our electricity demand with our own gas and steam turbines in highly efficient combined heat and power plants. Combined heat and power generation reduces the carbon footprint of our energy production and simultaneously ensures that fuels are used as efficiently as possible: For instance, compared with separate methods of generating steam and electricity, we saved 12.0 million MWh of fossil fuels and avoided 2.4 million metric tons of carbon emissions in 2022. To achieve the highest possible energy yield with the lowest possible greenhouse gas emissions, we continuously invest in our combined heat and power plants. In 2022, internally generated power in the BASF Group had a carbon footprint of around 0.25 metric tons of CO<sub>2</sub> per MWh of electricity and was below the national grid factor at most BASF sites.

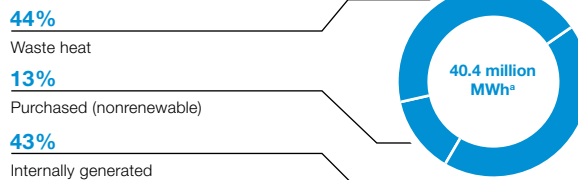
The **Verbund system** is also key to carbon-optimized energy supply at our sites. It helps us realize synergies and manage value chains in a resource-efficient way. For example, waste heat from one plant's production process is used as energy in other plants. The Verbund saved us around 19.0 million MWh in 2022, which translates to 3.8 million metric tons less CO<sub>2</sub> released into the environment. With combined power and steam generation as well as our continuously optimized Energy Verbund, we were thus able to avoid a total of 6.2 million metric tons of carbon emissions in 2022. That is why we will continue to invest in the creation and optimization of Verbund structures and drive forward the consolidation of production at highly efficient sites.

### Energy supply of the BASF Group 2022

#### Electricity supply<sup>a</sup>

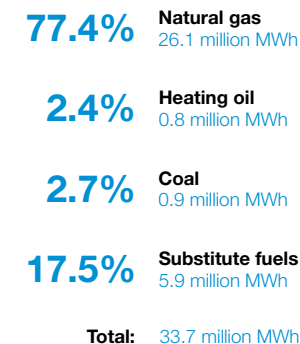


#### Steam supply



<sup>a</sup> Conversion factor: 0.75 MWh per metric ton of steam

#### Fossil fuels and residual fuels used in the BASF Group's central power and steam generation plants



A core component in reducing our greenhouse gas emissions is the gradual conversion of our energy supply from fossil to renewable sources as part of our carbon management. This mainly affects our electricity supply (**grey-to-green lever**). In 2022, electricity from renewable sources as a share of total electricity consumption could be kept constant at 16% (2021: 16%). Our electricity requirements will increase significantly in the coming years due to the planned electrification of our steam generation and the gradual switch from natural gas-based to electricity-based, low-carbon production processes, for example in our steam crackers (see page 141). We aim to source more than 60% of our power needs from renewable sources by 2030. Based on our growth forecast, this is roughly equivalent to our total power demand in 2021.

In the transformation of our power supply, we are pursuing a **make & buy approach**. Firstly, BASF is investing in its own

renewable power assets, particularly offshore wind farms. Secondly, BASF will purchase green power on the market through long-term supply agreements with plant operators, green power agreements or renewable energy certificates, depending on the region and market regulations. A key purchasing criterion is the "additionality" of the electricity purchased. This means that electricity is primarily sourced from new renewable energy facilities.

In 2022, we successfully drove forward the transformation of our power supply. Work on the Hollandse Kust Zuid offshore wind farm, a joint project with Vattenfall and Allianz, is proceeding according to plan. The offshore wind farm should be fully operational in 2023. With 140 turbines and a capacity of 1.5 gigawatts, Hollandse Kust Zuid will then be one of the largest subsidy-free offshore wind farms in the world. Our new solar power plant at the Schwarzheide site in Germany went online at the end of August 2022. We operate it

**Additional indicators for energy and climate protection in BASF operations**

	2022	2021	2018 (baseline)
Specific greenhouse gas emissions <sup>a</sup> (metric tons of CO <sub>2</sub> equivalents per metric ton of sales product <sup>b</sup> )	0.577	0.564	0.577
Primary energy demand <sup>c</sup> (million MWh)	54,206	57,627	60,586
Energy efficiency (kilograms of sales product <sup>b</sup> per MWh)	589	621	626

<sup>a</sup> Scope 1 and Scope 2 (market-based) according to the GHG Protocol, excluding emissions from the generation of steam and electricity for sale to third parties, including offsetting  
<sup>b</sup> Sales product volumes include sales between BASF Group companies; merchandise is not taken into account.  
<sup>c</sup> Primary energy used in BASF's plants as well as in the plants of our energy suppliers to cover energy demand for production processes. Purchased renewable energy has a primary energy conversion efficiency rate of 100%.

jointly with envia Mitteldeutsche Energie AG (enviaM). Most of the electricity generated (expected electricity production: 25 GWh per year) will be used to supply the Schwarzheide site and cover around 10% of the site's current annual electricity demand on average.

In addition to these cooperative ventures, in 2022 we concluded further long-term supply agreements for green power. In North America, for example, we have secured around 250 megawatts of wind and solar generation capacity through virtual power purchase agreements with Dawn Solar and EDF Energy Services. BASF has also signed a 12-year supply agreement with X-ELIO to supply 48 megawatts of solar power to the Freeport site in Texas. In China, we initiated further long-term supply agreements for green power with the State Power Investment Corporation and Brookfield, including for our new Verbund site in Zhanjiang, which is currently under construction. Our aim is to supply the site entirely with electricity from renewable sources from the start-up phase of the large-scale plants in 2025 – much earlier than originally planned.

In some regions, we have also acquired green power certificates. The aim is to gradually replace these temporary measures with our own power assets or long-term supply agreements.

In total, over 108 sites worldwide were already partially or fully powered by renewable energy at the end of 2022 (2021: 88). The carbon footprint of purchased electricity in 2022 was around

0.24 metric tons of CO<sub>2</sub>/MWh (market-based approach), slightly above the previous year's level (0.21 metric tons CO<sub>2</sub>/MWh).

The second lever for reducing greenhouse gas emissions in our energy supply starts with the production of steam (**power-to-steam lever**). In the future, new technologies should make a significant contribution to reducing CO<sub>2</sub>, for example by recovering energy from the waste heat of our production and infrastructure facilities. To explore the potential of various technologies, in 2022, for example, we initiated a joint feasibility study with MAN Energy Solutions on the construction of an industrial-scale heat pump at the Ludwigshafen site in Germany. This could generate up to 150 metric tons of steam per hour from previously unused wastewater heat, reducing the site's CO<sub>2</sub> emissions by up to 390,000 metric tons per year.

**Energy efficiency and specific greenhouse gas emissions**

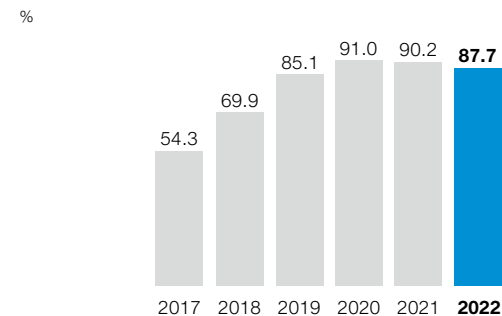
Energy use and greenhouse gas emissions are closely linked to capacity utilization at our plants as well as our product portfolio. Specific greenhouse gas emissions in 2022 amounted to 0.577 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product,<sup>1</sup> an increase of 2.3% compared with the previous year (2021: 0.564 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product). This was mainly due to lower and less uniform capacity utilization at our plants compared with the previous year, which led

to reduced plant efficiency. By contrast, the use of renewable energy had a positive impact on specific greenhouse gas emissions.

Since 1990, we have been able to lower our overall greenhouse gas emissions from BASF operations by 54.1% and even reduce specific emissions (per metric ton of sales product) by 74.8%.

As part of our carbon management, we aim to make our plants and processes even more efficient and resource saving (**continuous opex lever**). Certified energy management systems according to DIN EN ISO 50001 at all relevant production sites<sup>2</sup> play a particularly important role here. These help us to identify and implement further potential for improvement in energy efficiency. This not only reduces greenhouse gas emissions and saves valuable energy resources but also increases our competitiveness. In 2022, 76 production sites worldwide had certified energy management systems, representing 87.7% of our primary energy demand.

**Certified energy management systems (ISO 50001) at BASF Group sites worldwide, in terms of primary energy demand**



A global working group provides ongoing support to the sites and Group companies in implementing and maintaining certified energy management systems. All energy efficiency measures are recorded in a global database, analyzed and made available to BASF sites as examples of best practices.

<sup>1</sup> Sales product volumes include sales between BASF Group companies; merchandise is not taken into account.  
<sup>2</sup> Relevant sites are selected based on the amount of primary energy used and local energy prices.

In 2022, we implemented more than 500 measures to reduce energy and resource consumption and increase our competitiveness. At the Chongqing site in China, for example, modifications to the wastewater treatment process reduced heat demand and the resulting emissions by more than 2,500 metric tons of CO<sub>2</sub> per year. At a plant at the Kuantan site in Malaysia, an optimized control system allowed existing flash steam to be fully utilized, reducing additional steam demand. This enables an emissions reduction of over 1,500 metric tons of CO<sub>2</sub> per year. At the Ludwigshafen site in Germany, the innovative design of a new residue incineration line enables the more efficient use of combustion heat to produce steam. This avoids more than 5,000 metric tons of CO<sub>2</sub> emissions every year.

Our employees' ideas are an important source of optimization. Award-winning suggestions for improvements implemented in 2022 will enable us to save around 9,000 metric tons of CO<sub>2</sub> per year at the Ludwigshafen site in Germany alone.

### Corporate carbon footprint

BASF has published a comprehensive corporate carbon footprint every year since 2008. This reports on all emissions along the value chain – from raw materials extraction to production and disposal. We are continually working to reduce greenhouse gas emissions both in our own production and, together with our partners, along the value chain (see "Strategy and governance").

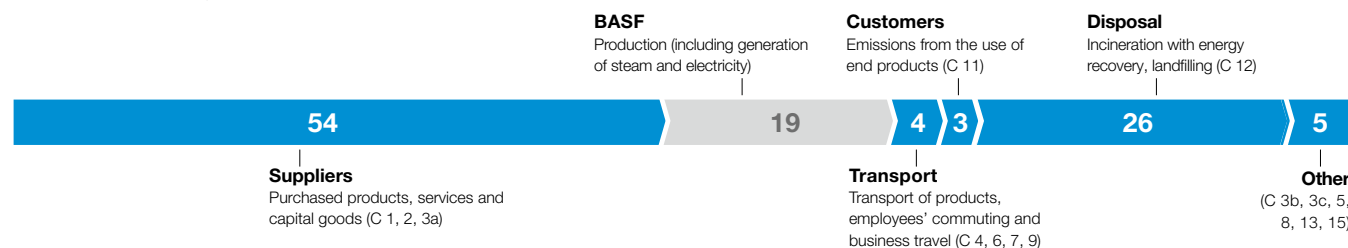
In 2022, our greenhouse gas emissions according to the Greenhouse Gas Protocol, including **Scope 1 and Scope 2** emissions (market-based approach, including sales of energy to third parties) were 19.185 million metric tons of CO<sub>2</sub> equivalents (2021: 21.131 million metric tons). Of this amount, 86% were Scope 1 emissions (2021: 88%) and 14% were Scope 2 emissions (2021: 12%). Carbon dioxide was by far the largest component and accounted for 98% of emissions (2021: 98%).

**Scope 3 greenhouse gas emissions** arising upstream and downstream of our operations in the value chain are calculated in accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard published by the Greenhouse Gas Protocol and the WBCSD Guidance for Accounting and Reporting Corporate GHG Emissions in the Chemical Sector Value Chain (WBCSD Chemicals). Both standards involve the use of values from general databases. For 2022, we calculated Scope 3 emissions of around 92 million metric tons of CO<sub>2</sub> equivalents (2021: 101 million metric tons). There was a significant reduction in total emissions along the BASF value chain in 2022 due to lower production volumes.

Our supply chain made the largest contribution to Scope 3 in 2022, with 54 million metric tons of CO<sub>2</sub> equivalents (2021: 59 million metric tons). To calculate these upstream greenhouse gas emissions, we used information on the carbon footprint of raw materials, primarily from external databases. We intend to gradually replace this with data from our Supplier CO<sub>2</sub> Management Program. In 2022, we were involved in the creation of new Together for Sustainability (TfS) recommendations for determining supply chain emissions to improve reporting transparency and consistency across the industry (see page 141).

#### Scope 3 emissions along the BASF value chain in 2022<sup>a</sup>

Million metric tons of CO<sub>2</sub> equivalents



<sup>a</sup> According to the Greenhouse Gas Protocol; Scope 1, 2 and 3; reported categories within Scope 3 are shown in parentheses. Scope 3 emissions in category 10 ("Processing of sold products") are not reported according to the standard for the chemical sector. Only direct use phase emissions are reported in the customer category (Scope 3.11). For more information on our Scope 3 emissions reporting, see [basf.com/corporate\\_carbon\\_footprint](https://www.basf.com/corporate_carbon_footprint)

**BASF Group's greenhouse gas emissions according to the Greenhouse Gas Protocol<sup>a</sup>**

Million metric tons of CO<sub>2</sub> equivalents

BASF operations	2022	2021	2018 (baseline)
Scope 1 <sup>b</sup>			
CO <sub>2</sub> (carbon dioxide)	15.434	17.234	17.025
N <sub>2</sub> O (nitrous oxide)	0.306	0.418	0.677
CH <sub>4</sub> (methane)	0.025	0.032 <sup>c</sup>	0.027
HFC (hydrofluorocarbons)	0.031	0.035 <sup>c</sup>	0.091
SF <sub>6</sub> (sulfur hexafluoride)	0.001	0.001	0
Scope 2 <sup>d</sup>			
CO <sub>2</sub>	2.629	2.464	4.067
Total	18.426	20.184 <sup>e</sup>	21.887
Offsetting	0	0	0
<b>Total after offsetting</b>	<b>18.426</b>	<b>20.184<sup>e</sup></b>	<b>21.887</b>
Sale of energy to third parties (Scope 1) <sup>a</sup>			
CO <sub>2</sub>	0.759	0.947	0.773
<b>Total</b>	<b>19.185</b>	<b>21.131<sup>e</sup></b>	<b>22.660</b>
<b>Use of biomass<sup>f</sup></b>			
CO <sub>2</sub>	0.084	0.091	n/a

**a** BASF reports separately on direct and indirect emissions from the purchase of energy. Scope 1 emissions encompass both direct emissions from production and generation of steam and electricity, as well as direct emissions from the generation of steam and electricity for sale. Scope 2 emissions comprise indirect emissions from the purchase of energy for BASF's use.  
**b** Emissions of N<sub>2</sub>O, CH<sub>4</sub> and HFC have been translated into CO<sub>2</sub> emissions using the Global Warming Potential, or GWP, factor. GWP factors are based on the Intergovernmental Panel on Climate Change (IPCC) 2007, errata table 2012 for the 2018 reporting year, and IPCC 2014 for the 2021 and 2022 reporting years. HFC (hydrofluorocarbons) are calculated using the GWP factors of the individual components.  
**c** The comparative figure for 2021 has been adjusted to reflect updated data.  
**d** Market-based approach. Under the location-based approach, Scope 2 emissions were 3,670 million metric tons of CO<sub>2</sub> in 2021 and 3,588 million metric tons of CO<sub>2</sub> in 2022.  
**e** Includes sales to BASF Group companies; as a result, emissions reported under Scope 2 can be considered twice in some cases.  
**f** Emissions are reported separately from Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol.

The disposal of our products accounted for 26 million metric tons of CO<sub>2</sub> equivalents (2021: 28 million metric tons), the second-largest share of our Scope 3 emissions. This figure is based on assumptions about the disposal of products at the end of the value chain.

[For more information on our emissions reporting, see basf.com/corporate\\_carbon\\_footprint](https://www.basf.com/corporate_carbon_footprint)  
 For more information on Product Carbon Footprints, see [basf.com/en/pcf](https://www.basf.com/en/pcf)

**Product Carbon Footprints**

In 2020, we developed a digital solution to make our product-specific greenhouse gas emissions more transparent and have since determined the carbon footprints of around 45,000 sales products. These Product Carbon Footprints (PCFs) include all greenhouse gas emissions – from raw materials extraction to the finished product leaving the factory gates (“cradle-to-gate”). PCFs provide us with important information for assessing the climate impact of our products and guidance for implementing mitigation

measures so that our customers can benefit from reduced carbon emissions in the value chain.

In 2022, we further expanded our portfolio of products with a certified reduced carbon footprint, including engineering plastics and polyurethanes, intermediates and aroma ingredients. We already offer some of our products, such as the intermediates neopentyl glycol (see page 72) and propionic acid, and the isocyanate MDI, with a net zero carbon footprint. These lower PCFs are mostly made possible by the substitution of fossil raw materials. For instance, we use climate-neutral electricity from renewable sources instead of electricity from fossil fuels to produce **low-PCF and zero-PCF products**. We also use – in whole or in part – renewable, waste-based or recycled raw materials such as palm oil, castor oil, biomethane or pyrolysis oil from plastic waste. These alternative resources have a better carbon footprint than fossil raw materials. The alternative resources are allocated to the end product using the mass balance approach (see box on page 121).

The digital methodology we have developed to calculate PCFs meets general life cycle analysis standards such as ISO 14040, ISO 14044 and ISO 14067, as well as the Greenhouse Gas Protocol Product Standard, and has been certified by TÜV Rheinland. We make our automated PCF calculation approach available to interested industry players through partnerships. At the same time, we are involved in various initiatives to drive transparency, harmonization and standardization across the industry. One example is Together for Sustainability (see box on page 116). In September 2022, the members of the initiative agreed on a globally uniform guideline for calculating cradle-to-gate PCFs in the chemical industry. This will enable the climate impact of products to be directly compared and evaluated in the future based on a standardized approach. A technical solution for sharing PCF data between companies is under development and should be implemented by the end of 2023.

Harmonizing the methodological approaches used to calculate PCFs also makes an important contribution to the more accurate measurement of the greenhouse gas emissions that arise in the

supply chain, for example, during the extraction of raw materials or the manufacture of precursors. These upstream Scope 3 emissions account for the largest share of our corporate carbon footprint (see page 139).

We currently use industrial averages and values from commercial databases as the basis for calculating upstream Scope 3 emissions. To obtain a more accurate data base and better manage and reduce emissions in the supply chain in the long term, we launched our global **Supplier CO<sub>2</sub> Management Program** in 2021. In a first step, we have since requested the PCFs of our raw materials and support our suppliers in determining these, for example, by sharing our knowledge of valuation and calculation methods with them. Since the start of the program, we have asked more than 1,300 suppliers, covering around 60% of our raw materials-related greenhouse gas emissions. In a second step, we want to work with our suppliers on solutions to reduce product-related emissions and establish the PCF as a criterion for purchasing decisions.

 For more information on the Supplier CO<sub>2</sub> Management Program, see [basf.com/suppliers](https://basf.com/suppliers)

### Good to know



## Low-carbon and carbon-free processes for climate-smart chemistry

We are also developing completely new technologies for carbon-free and low-carbon production as part of our carbon management (new technologies lever). The main focus here is on basic chemicals, which are often still emissions-intensive to produce. One example is steam reforming, the most common way of obtaining hydrogen. We are already testing an alternative process – methane pyrolysis – in Ludwigshafen, Germany. This is virtually carbon-free if renewable energy is used and extremely energy efficient compared with other methods. Together with Siemens Energy, and depending on funding from the German Federal Ministry for Economic Affairs and Climate Action (BMWK), we are also planning to build a proton exchange membrane (PEM) water electrolyzer in Ludwigshafen with an output of 54 megawatts for carbon-free hydrogen production.

Another example is steam crackers. Steam crackers split petroleum into olefins and aromatics for further processing – both important groups of substances for numerous chemical value chains. The cracking reaction requires high temperatures of around 850 degrees Celsius, which are achieved in conventional plants by burning methane. Heating concepts that use electricity from renewable sources instead could reduce process-related emissions by at least 90% in the future. To test the feasibility of this new process and two different heating concepts, in September 2022 we started construction of a demonstration plant at the

Ludwigshafen site in Germany together with our partners SABIC and Linde. The project has been granted €14.8 million from the BMWK under the Decarbonization in Industry funding program. It is scheduled for start-up in 2023.

We also want to break new ground in steam supply, which we need for many chemical processes and have so far mainly produced in our central gas-fired power plants. Here, too, green power-based technologies such as heat pumps or electric boilers offer enormous potential. For instance, we want to recover the thermal energy produced by our production and infrastructure facilities in the future and use it for carbon-optimized steam generation. In this context, we initiated a feasibility study with MAN Energy Solutions in July 2022 on the construction of an industrial-scale heat pump at the Ludwigshafen site in Germany (see page 138).

Another focus area is carbon capture and storage (CCS). For example, we are part of an industrial CCS project at the Antwerp site in Belgium (Kairos@C) as the first phase of the Antwerp@C project, which will enable BASF to avoid the emission of up to 1 million metric tons of CO<sub>2</sub> into the atmosphere every year from production.



In 2022, a new residue incineration line was commissioned in Ludwigshafen, Germany. It makes an important contribution to reliable waste disposal and is also interesting from a technological point of view: An upright, cooled combustion chamber increases the efficiency by 10%. This means that the additional steam fed into the Verbund does not have to be generated by burning natural gas.

## Material topics in focus: Emissions to Air, Waste and Remediation

GRI 2, 3, 305, 306



**We want to continuously reduce emissions to air, prevent waste and protect the soil. That is why we are committed to operating our plants safely and efficiently, and to using resources responsibly. We are consistently reducing the environmental impact of our plants and processes with our Operational Excellence Program.**

### At a glance

**2.2 million metric tons**  
BASF Group waste

**47.4%**  
share of our waste recycled or thermally recovered

- Improvements based on continuous monitoring of emissions to air and waste streams
- Circular concepts an important part of our activities
- Systematic management of contaminated sites

### Strategy and governance

The safe and efficient operation of our plants and the responsible management of resources and waste are core elements of our Responsible Care Management system. We have defined our global standards for emissions to air, waste and contaminated sites in Group-wide guidelines, the implementation of which is the responsibility of the sites and Group companies. The Environmental Protection, Health, Safety and Quality unit in the Corporate Center conducts regular audits to monitor compliance with legal requirements and internal guidelines.

BASF's global network of experts shares information, insights and best practices on an ongoing basis to further reduce our emissions to air, manage waste and responsibly handle contaminated sites.

**Continuous documentation and monitoring** of emissions to air, waste streams and contaminated sites as well as the implementation of measures for improvement are an integral part of our environmental management. In addition to greenhouse gases (see page 135 onward), we also measure and analyze other air pollutants to prevent the emission of potentially harmful substances.

Our waste management is based on the systematic tracking of our material flows and follows a clear hierarchy: We aim to avoid waste as far as possible, for example, by continuously optimizing our processes or developing new production methods. BASF's Verbund structure with its networked plants and value chains is key here: The by-products of one plant serve as feedstock elsewhere in the BASF Verbund, avoiding waste and enabling us to use raw materials as efficiently as possible.

If these cannot be used within BASF's Verbund structures, we assess whether they can be recycled or thermally recovered. We have established processes for the safe, proper and environmentally responsible disposal of materials that we cannot recycle or where recycling is not legally permitted. If we use external waste disposal companies, we conduct regular audits to verify that waste is disposed of properly. In this way, we also contribute to preventive

soil protection and keep today's waste from becoming tomorrow's contamination. If soil and groundwater contamination occurs at active, acquired or former sites, we review and implement appropriate remediation measures.

We are committed to reducing the impact on air and soil and minimizing disposal volumes and material consumption along our value chains. We expect suppliers to comply with internationally recognized environmental standards. This is assessed as part of our supplier management. We support our suppliers in developing and implementing measures for improvement, for example in waste management (see page 116). We offer our customers a wide range of products that can reduce air pollutants or waste – from industrial process catalysts, fuel additives and catalysts for the automotive sector to additives and track-and-trace technologies to extend the useful life of plastics or improve mechanical recycling of plastic waste.

We are increasingly aligning our actions with the **circular economy principle**. For example, we are increasingly using recycled and waste-based raw materials in our production, recycling operating supplies, and expanding our capacities for recovering precious metals from spent automotive and industrial catalysts. We are also developing product-specific recycling technologies and are involved in cross-industry networks and initiatives to avoid plastic waste (see page 51) and strengthen the circular economy.

[For more information on the circular economy, see page 43](#)

### Emissions to air

Total emissions of air pollutants from our production plants amounted to 23,360 metric tons in 2022 (2021: 25,869 metric tons<sup>1</sup>). Emissions of ozone-depleting substances as defined by the Montreal Protocol totaled 14 metric tons in 2022 (2021: 18 metric tons<sup>1</sup>). Emissions of heavy metals<sup>2</sup> in 2022 amounted to 4 metric tons (2021: 2 metric tons).

<sup>1</sup> The comparative figure for 2021 has been adjusted to reflect updated data.  
<sup>2</sup> Heavy metals are included in the figure for dust (see the table "Emissions to air").

### Emissions to air

Metric tons	2022	2021
Air pollutants from BASF operations		
CO (carbon monoxide)	3,833	3,951
NO <sub>x</sub> (total nitrogen oxides)	9,326	11,088 <sup>a</sup>
NM VOC (nonmethane volatile organic compounds)	4,621	4,817 <sup>a</sup>
SO <sub>x</sub> (total sulfur oxides)	1,553	1,908 <sup>a</sup>
Dust	2,060	2,154
NH <sub>3</sub> (ammonia) and other inorganic substances	1,965	1,951
<b>Total</b>	<b>23,360</b>	<b>25,869<sup>a</sup></b>

<sup>a</sup> The comparative figure for 2021 has been adjusted to reflect updated data.

We want to further reduce emissions with various measures. For instance, we use catalysts to reduce nitrogen oxides or feed waste gases back into the production process.

### Waste

BASF generated 2.21 million metric tons of waste in 2022 (2021: 2.41 million metric tons<sup>1</sup>). Of this, 52.6% was disposed of (2021: 52.4%<sup>1</sup>). Hazardous waste accounted for 75.2% of the total disposed waste (2021: 76.9%<sup>1</sup>). Based on the concept of the circular economy, we are continuously examining options for material or thermal recycling for all waste (see "Strategy"). In this way, we were able to find new uses for 47.4% of our waste in 2022 (2021: 47.6%<sup>1</sup>). We continuously identify and evaluate the safest and most environmentally sound disposal routes for non-recyclable waste. In 2022, most of our hazardous waste was incinerated (75.1%), where possible with energy recovery. 8.0% of hazardous waste was disposed of in landfill. This was mainly contaminated construction waste that cannot be recycled due to legal requirements.

### Waste generation in the BASF Group

Million metric tons	Hazardous waste <sup>a</sup>		Nonhazardous waste <sup>a</sup>	
	2022	2021	2022	2021
Recycled	0.14	0.14	0.31	0.37
Thermally recovered	0.49	0.52	0.11	0.12 <sup>c</sup>
<b>Waste recovered</b>	<b>0.63</b>	<b>0.66</b>	<b>0.42</b>	<b>0.49<sup>c</sup></b>
Through incineration (without energy recovery)	0.64	0.73 <sup>c</sup>	0.05	0.06 <sup>c</sup>
In surface landfills	0.12	0.12	0.22	0.21 <sup>c</sup>
Other <sup>b</sup>	0.12	0.12 <sup>c</sup>	0.02	0.02
<b>Waste disposed of</b>	<b>0.87</b>	<b>0.97</b>	<b>0.29</b>	<b>0.29<sup>c</sup></b>
<b>Total waste generation</b>	<b>1.50</b>	<b>1.63</b>	<b>0.71</b>	<b>0.78<sup>c</sup></b>

<sup>a</sup> Waste is classified as hazardous or nonhazardous waste according to local regulations.  
<sup>b</sup> Physical/chemical and biological treatment, underground disposal  
<sup>c</sup> The comparative figure for 2021 has been adjusted to reflect updated data.

### Contaminated sites

We have binding global standards for managing contaminated sites. A worldwide network of experts ensures these are implemented. We develop remediation measures designed to balance nature conservation, climate protection concerns, costs and social responsibility. These solutions take into account the legal framework and current technological standards. Contaminated sites are documented in a database. Ongoing remediation work around the world continued on schedule in 2022 and planning was concluded for further measures.]

[For more information, see Notes 9 and 23 on pages 230 and 266](#)



The BASF wastewater treatment plant at the Ludwigshafen site in Germany is one of the largest in Europe. Around 86 million cubic meters of production wastewater are treated here every year, plus around 18 million cubic meters of wastewater from surrounding communities. In recent years, we have continuously increased the energy efficiency and effectiveness of the plant.

Material topics in focus:

# Water

GRI 3,303, 304



**Water is of fundamental importance in chemical production. It is used as a coolant, solvent and cleaning agent, and to make our products. Waterways are used to transport goods. At the same time, water is a scarce commodity in an increasing number of regions. That is why we promote the responsible use of this resource with sustainable water management.**

## At a glance

**1,590 million**  
cubic meters total water  
abstraction

**79%**  
of water demand covered  
by reuse

- Responsible use is a core part of our strategy
- Sustainable water management introduced at 61.6% of relevant sites
- Top rating of “A” in the annual CDP assessment

## Strategy and governance

The responsible use of water as a resource is a core element of our Responsible Care Management System and our risk management, as well as an important part of our commitment to the United Nations’ Sustainable Development Goals (SDGs). This is also reflected in our **position paper on water protection**, which we published in 2021.

Our global standards and requirements for water are defined in Group-wide guidelines. Among other things, these stipulate that water protection concepts must be implemented at all production

sites. The guidelines also cover aspects such as process and transportation safety (see pages 126 and 134) in order to prevent production and transportation-related product spillages into water bodies as far as possible. Our sites and Group companies are responsible for implementing and complying with internal guidelines and legal requirements. The Environmental Protection, Health, Safety and Quality unit in the Corporate Center conducts regular audits to monitor this. BASF’s global network of experts shares information, insights and best practices around the responsible use of water on an ongoing basis.

Introducing and implementing **sustainable water management** has been a cornerstone of our strategy for many years now. Our focus here is on our Verbund sites and on production sites in water stress areas.<sup>1</sup> The aim is to protect water as a resource, to use it as efficiently as possible through recirculation, and to continuously reduce wastewater and emissions. We consider the quantitative, qualitative and social aspects of water use.

We pursue our goal by applying the European Water Stewardship standard, which rests on four principles: sustainable water abstraction, maintaining good water quality, preserving conservation areas, and ensuring continuous improvement processes.

<sup>1</sup> We define water stress areas as regions in which more than 40% of available water is used by industry, households and agriculture. Our definition is based on the Water Risk Atlas (Aquaduct 3.0) published by the World Resources Institute. For more information, see [wri.org/aquaduct](http://wri.org/aquaduct).



We advocate the **responsible use of water as a resource** along the entire value chain. We audit supplier compliance with environmental standards in our regular supplier assessments (see page 114). Where improvement is necessary, we support suppliers in developing and implementing appropriate measures, such as the correct handling of wastewater. In addition, we are involved in a wide range of initiatives to promote sustainability in the supply chain. For example, efficient water use is a core part of the Pragati project to improve sustainability in castor bean farming (see page 119).

We offer our customers solutions that help purify water and use it more efficiently, and minimize pollution. These include high-performance plastics to produce ultrafiltration membranes, intermediates to produce flocculants for water treatment, or seeds with higher drought and heat tolerance.

We work with numerous partners along the value chain and from civil society to protect water as a resource. For instance, BASF is a member of the Alliance for Water Stewardship, a global multi-stakeholder organization that promotes the responsible use of water. In addition, we are involved in networks to effectively prevent plastic waste from entering water bodies (see page 51).

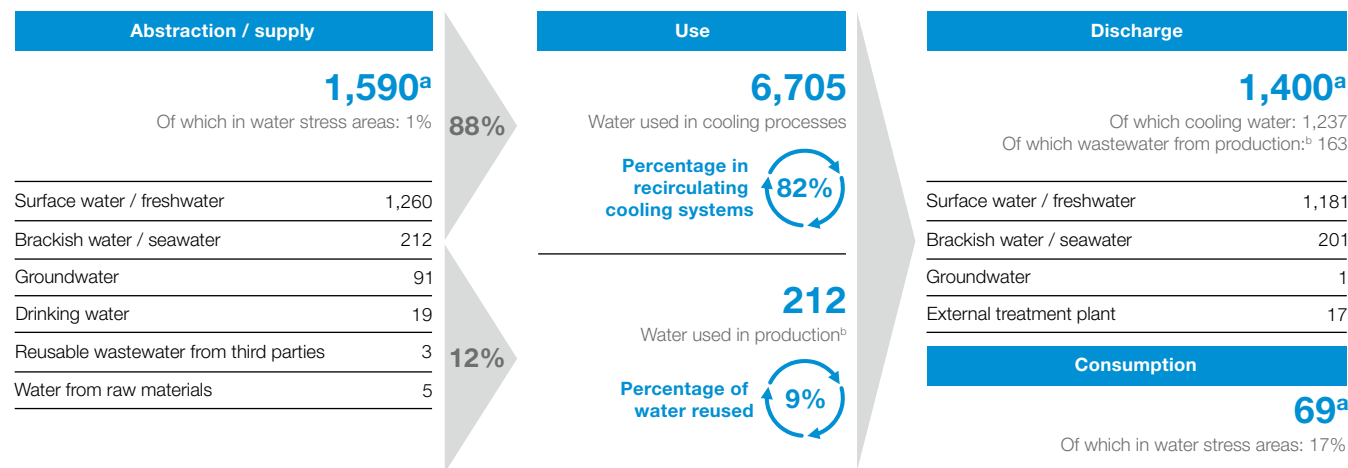
We report transparently and comprehensively on water. For instance, we again provided detailed answers to the 2022 water questionnaire from the nonprofit organization CDP. BASF again achieved Leadership status with a top rating of "A" in the final assessment. CDP evaluates how transparently companies report on their water management activities and how they reduce risks such as water scarcity. The assessment also considers the extent to which product developments can also contribute to sustainable water management at the customers of the evaluated companies.

[basf.com/water](https://basf.com/water)

[basf.com/en/cdp](https://basf.com/en/cdp)

### Water in the BASF Group 2022

Million cubic meters per year



<sup>a</sup> The difference between water abstraction and discharge is due to water consumption and limited measurement accuracy in water discharge.  
<sup>b</sup> Sum of production processes, sanitary facilities, rinsing and cleaning in production

### Global target and measures

Our goal is to introduce sustainable water management at our Verbund sites and at all production sites in water stress areas by 2030, covering 89% of BASF's total water abstraction. We achieved 61.6% of our target in 2022 (2021: 53.5%).<sup>1</sup> Sustainable water management was introduced at seven further sites in 2022 (2021: 7).

As part of sustainable water management, our sites regularly assess the water situation in the catchment area. This raises awareness of potential risks and impacts for the population such as water scarcity. Based on the assessments conducted until the end of 2022, we did not identify any activities with a significant impact on water availability and quality at any site.

### 2030 target

**Introduction of sustainable water management at our production sites in water stress areas and at our Verbund sites**

Another important part of our sustainable water management is the continuous analysis and **implementation of measures for improvement**. For example, changes in the production process (transesterification process) at the Caojing site in China reduce the need for feedstocks, steam and water. This can save 25% of the wastewater from this process step each year. At the Camaçari site in Brazil, an improvement in the recirculation of cooling water and the reuse of condensate saves around 49,000 cubic meters of water every year. The team received the Bahia Sustainable Industries Award for its successful water management. Depending on the

<sup>1</sup> Our water target also continues to take into account the sites that we identified as water stress sites in accordance with Pfister et al. (2009) prior to 2019.

local situation, we also implement measures together with other stakeholders. One example is the Lake Winnipeg Basin Water Stewardship Project in the Canadian province of Manitoba, which was launched in 2022.

## Water balance

Our **water abstraction** totaled 1,590 million cubic meters in 2022 (2021: 1,695). This demand was covered for the most part by freshwater such as rivers and lakes (86% of water abstraction). At some sites, we use alternative sources such as treated municipal wastewater, brackish water or seawater. A small part of the water we use reaches our sites as part of raw materials and steam, or is released in our production processes. We abstract most of the water we need for cooling and production ourselves. In 2022, 5% of our total water demand was covered by third parties (2021: 5%).

**Water use** in 2022 totaled 6,917 million cubic meters (2021: 7,110 million cubic meters). Put in relation to total water abstraction, this means that we use every liter we abstract around four times, or cover 79% of our water demand with reuse. We predominantly use water for cooling purposes (88% of water abstraction), after which we discharge it back to our supply sources with no product contact. We reduce our water abstraction for cooling purposes mainly by using recooling plants. Around 12% of our total water abstraction is used in production plants, for example, for extraction or dissolution processes or for cleaning. Here, too, we reduce our demand for water by recycling wastewater. Most of the water used for production purposes is discharged back to water bodies after being treated in our own or third-party wastewater treatment plants.

The BASF Group's **water consumption** describes the amount of water that is not discharged to a water body, meaning that it is no longer available to other users. Consumption is mainly attributable to the evaporation of water in recirculating cooling systems. A smaller amount is from the water contained in our products. Water

consumption in 2022 amounted to around 69 million cubic meters (2021: 72 million cubic meters).

In 2022, around 25% of our production sites were located in water stress areas (2021: 25%). These sites accounted for 1% of BASF's total water abstraction (2021: 1%).<sup>1</sup> In water stress areas, we mainly source water from third parties (81%) and largely cover our demand with freshwater. Water consumption in water stress areas accounted for 17% of BASF's total water consumption in 2022 (2021: 16%) and was primarily attributable to evaporation in cooling processes. Wastewater in water stress areas accounted for less than 1% of BASF's total wastewater. The share of wastewater from cooling processes in water stress areas is lower than for the BASF Group as a whole. Cooling water is rarely used for once-through cooling here. Instead, it is generally recirculated to reduce water demand. Production wastewater in water stress areas is primarily treated at third-party facilities.

The supply, treatment, transportation and recooling of water is associated with a high energy demand. We are constantly working to optimize our energy consumption and the amount of water we use, and to adapt to the needs of our business and the environment.

## Emissions to water

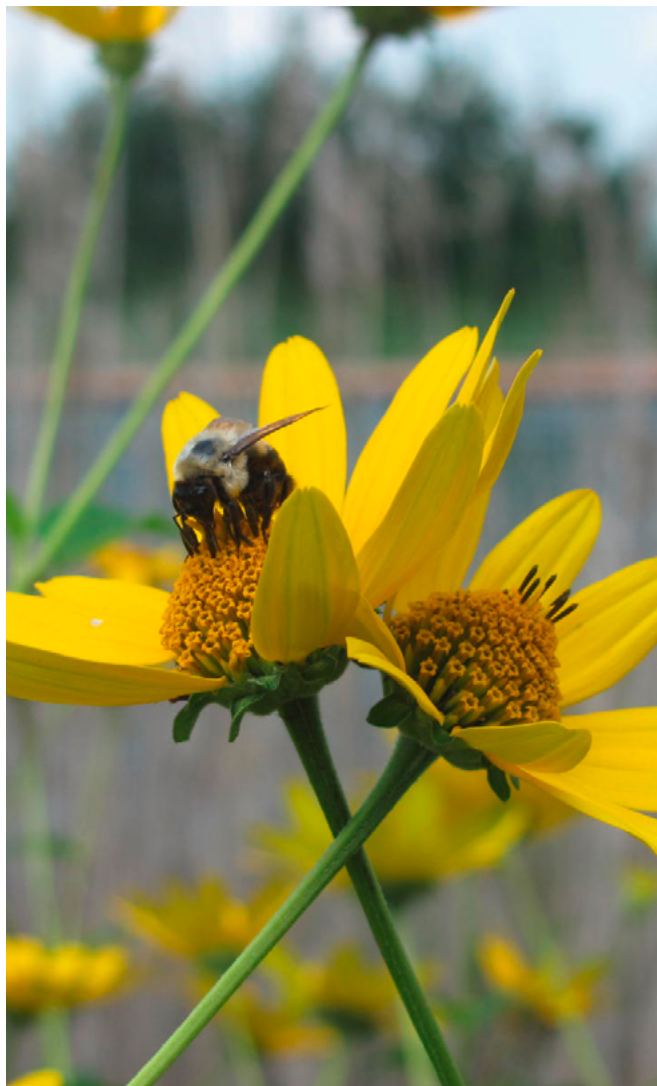
Our wastewater is subject to strict controls and we carefully assess the impact of wastewater discharge in accordance with the applicable laws and regulations. Both internal audits and the responsible local authorities regularly assess whether the analyses and safety precautions at our sites comply with internal guidelines and legal requirements. A total of 1,400 million cubic meters of water were discharged from BASF production sites in 2022 (2021: 1,503), including 163 million cubic meters of wastewater from production. Emissions of nitrogen to water amounted to 2,600 metric tons in 2022 (2021: 3,000). Around 10,600 metric tons of organic substances were emitted in wastewater (2021: 12,500). Our wastewater

contained 16 metric tons of heavy metals (2021: 17). Phosphorus emissions amounted to 240 metric tons (2021: 340).

Our approach is to reduce wastewater volumes and contaminant loads at the source in our production processes and to reuse wastewater and material flows internally as far as possible. To treat wastewater, we use both central measures in wastewater treatment plants and the selective pretreatment of individual wastewater streams before these are sent to the wastewater treatment plant. We use different methods depending on the type and degree of contamination – including biological processes, chemical oxidation, membrane technologies, precipitation or adsorption. In order to avoid unanticipated emissions and the pollution of surface water or groundwater, we have water protection concepts for our production plants in place. This is mandatory for all production plants as part of our Responsible Care Management System (see page 123). The wastewater protection plans involve evaluating wastewater in terms of risk and drawing up suitable monitoring approaches. We use audits to check that these measures are being implemented and complied with.]

For more information, see [basf.com/water](https://www.basf.com/water)

<sup>1</sup> Aqueduct 3.0 was used to identify sites in water stress areas to determine pro rata water abstraction and water consumption.



BASF is committed to preserving biodiversity at different sites. At the former Rensselaer manufacturing site in upstate New York, for example, a biodiversity project is improving ecological conditions and providing space for indigenous plants such as the oxeye sunflower, as well as foraging and nesting areas for a variety of animals.

Material topics in focus:

## Biodiversity

GRI 3,304



**Biodiversity describes the variety of life forms on Earth. The loss of this diversity weakens ecosystems' ability to withstand changes such as climate change and poses a global challenge. As a chemical company, we depend on ecosystem services like the availability of renewable resources and high air, water and soil quality, while also influencing them. Protecting biodiversity is a key element of our commitment to sustainability.**

### At a glance

- Strategic alignment of our biodiversity measures based on impact assessments
- Commitment to preserving biodiversity along the entire value chain, for example, with strategic partnerships

### Strategy

Our specific measures along the entire value chain help to preserve biodiversity and meet our responsibility to the environment and society. Our corporate sustainability goals on climate protection, the circular economy, water management and responsible procurement also help to protect biodiversity. The United Nations' Convention on Biological Diversity and the Sustainable Development Goals (SDGs) – including Life below water (SDG 14) and Life on land (SDG 15) – serve as important orientation and reference frameworks for BASF.

We align our biodiversity measures with the impact of our business activities along the value chain. Our focus here is on three areas: sites and production, product impact and supply chains. The five drivers of biodiversity loss defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services are land-use change, climate change, pollution, overexploitation and

invasive species. We counteract climate change – and in this way, help to preserve biodiversity – with our climate protection measures (see page 135). We are committed to combating habitat loss, over-exploitation and environmental pollution with activities along various value chains, including palm and palm kernel oil.

To be able to take the right measures, we need to understand how our actions affect the biodiversity of the affected ecosystems. Measuring biodiversity is a challenge, as a global indicator – like greenhouse gas emissions for climate change – does not yet exist. This is because the local context also has to be taken into account when assessing impact.

We use various methods to measure our **sustainability performance** that implicitly and explicitly consider relevant risks and opportunities for biodiversity. These include the Eco-Efficiency Analysis, SEEBalance®, Sustainable Solution Steering as well as AgBalance® with its biodiversity calculator. We use indicators such as nitrogen emissions to water to measure drivers of biodiversity loss, and indicators such as species occurrence to assess the status of ecosystems. In addition, we regularly test various analysis tools available on the market. Newly developed assessment methods help us to understand further influences on biodiversity. On the basis of this understanding, we seek dialog with partners and enter into strategic partnerships, through which we drive forward measures to protect biodiversity around the world.

An internal working group addresses company-wide governance and the systematic identification of risks and opportunities arising from biodiversity.

### Responsibility to our sites and production

Preservation of biodiversity is taken into consideration in the management of our sites. We strive to operate our facilities in a responsible manner and minimize negative effects on the environment (**driver of biodiversity loss: pollution**) by keeping air, water and soil emissions as low as possible and reducing and avoiding waste (see page 142 for more information).

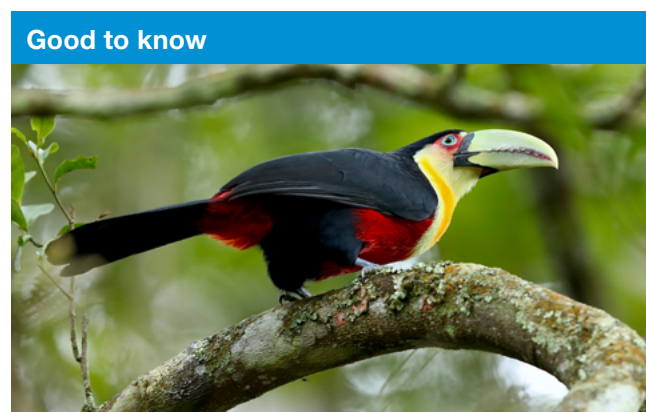
Conservation areas play a valuable role in preserving biodiversity and natural habitats. In 2021, we added an indicator to our environmental database: proximity of production site to internationally recognized protected areas. We use databases such as the Integrated Biodiversity Assessment Tool (IBAT) here. This allows us to raise awareness of biodiversity at local level and assess and, if necessary, reduce potential impacts of our sites on these areas. In 2022, 5% of our production sites were adjacent to a Ramsar site<sup>1</sup> and 1% were adjacent to a category I, II or III protected area as defined by the International Union for Conservation of Nature.<sup>2</sup> None of our production sites were adjacent to a UNESCO protected area.

We have adopted biodiversity as a criterion in processes such as our risk management. In addition, we systematically consider sustainability aspects when deciding whether to invest in the construction of new sites or expand existing ones. Aspects assessed include the potential impacts on forests and biodiversity.

We are also implementing local measures to protect biodiversity at a number of sites. For example, at 13 sites in North America, biodiversity projects are regularly audited and certified by the NGO Wildlife Habitat Council (WHC). At the former Rensselaer production site in New York state, for example, BASF has been investing in

sustainable land use for over 10 years. The 90-hectare site on the Hudson River includes a LEED Platinum-certified environmental education classroom, a combined heat and power plant and a 10-hectare wildlife habitat. The wildlife habitat was created as part of the Hudson River legacy remediation and ecological restoration project, for which BASF received the Environmental Excellence Award for Environmental Dredging from Western Dredging Association in 2021. The biodiversity project improves site ecology, providing space for indigenous plants, foraging and nesting areas for a variety of animals, a way-station for migratory birds, and a habitat for aquatic species, amphibians and reptiles. For example, the aquatic turtle population in the freshwater wetland area could be restored.

We also take biodiversity conservation into account in our production. In addition, we are committed to complying with the provisions of international environmental agreements such as the Nagoya Protocol. The supplementary agreement to the U.N.'s Convention on Biological Diversity regulates access to genetic resources and benefit sharing. It sets out obligations (for example, compensation payments) for the users of genetic resources such as plant-based raw materials. We use internal control mechanisms to monitor compliance with these standards.



### Good to know

### Biodiversity reserve in Brazil

BASF has been involved in the conservation and regeneration of the forests of the Atlantic Rainforest for more than 30 years. An eight-month biodiversity survey in collaboration with the Brazilian Espaço ECO Foundation found a diversity of more than 200 animal and plant species in the 30-hectare Suviniil Reserve on the Brazilian paints and coatings industrial complex in São Bernardo do Campo (São Paulo state). This section of the Atlantic Rainforest, which accounts for almost half of the total area of the BASF site, shows how industry and the environment, productivity and sustainability can coexist. The Suviniil reserve is part of the Brazilian BASF Demarchi + Ecoefficient program, which achieves more efficient use of natural resources and improves products and processes.

<sup>1</sup> Wetland of international importance in accordance with the Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention)  
<sup>2</sup> We have defined "adjacent" as the area within a 3 km radius.

## Management of our product impact

BASF offers products and solutions for a wide range of industries. We want to ensure that our products meet our customers' standards in quality and, through appropriate use, pose no risk to humans, animals or the environment. Our commitment to the objectives set forth by the Responsible Care® charter of the International Council of Chemical Associations (ICCA) obligates us to continuously minimize the negative effects of our products on the environment, health and safety and to optimize our products on an ongoing basis. It is important to consider the potential impacts of product use on biodiversity, for example, with regard to pollution.

For example, we evaluate our products and solutions in crop protection and seeds throughout the entire research, development and registration process. After they have been approved for the market, we continue assessing them regularly for potential risks and impact to the ecosystems in which they are used. We have initiated various projects and offer training to prevent misuse of our products (see page 132).

All types of land development, such as agriculture and forestry, play a role in changing biodiversity (**driver of biodiversity loss: land-use change**). Activities such as tillage, drainage, fertilization and the use of crop protection products can affect flora and fauna, for example, by influencing food sources. Minimizing these impacts while ensuring the necessary productivity is one of the biggest challenges farmers are facing.

Our Agricultural Solutions segment focuses on four areas to help farmers to find the right balance between productivity and sustainability. Focus areas are climate-smart farming, sustainable solutions, digital farming and smart stewardship (see box on page 34). In this context, we work with farmers to create balanced agricultural systems which enable productive and efficient farming of high-quality food products and at the same time promote biodiversity in the field. For example, we advise them on soil cultivation practices and look for suitable ways to improve biodiversity in farmlands. Our many years of experience in sustainability measurement

and evaluation in agriculture are particularly useful here. Our modern seed solutions also enable better yield on existing farmlands and thus help protect natural habitats.

Our AgBalance® method and the biodiversity calculator enable a scientifically sound assessment of the impact of agricultural practices on biodiversity. Based on these assessments, we issue recommendations for measures such as planting flower strips or establishing nesting places to benefit pollinators like wild bees and farmland birds.

In 2021, BASF initiated the approval process for a new, more environmentally friendly insecticidal active ingredient and has since submitted registration dossiers in all major markets. The active ingredient, Axalion™, enables farmers to control a wide range of piercing and sucking pests that are harmful to crops. At the same time, it is highly compatible with beneficial insects such as pollinators. This supports farmers in managing the challenges they face around productivity, protecting the environment and societal demands.

Animal farming is essential to meeting growing global demand for products of animal origin such as meat, eggs and milk. This in turn leads to high demand for agricultural land for growing feed, which has implications for the share of forest areas and biodiversity. BASF offers a range of feed additives such as enzymes, vitamins, glycinates and organic acids that improve nutrient utilization from feed. Better feed conversion and more sustainable livestock production mean that less land is needed, preserving natural ecosystems.

## Responsibility to our supply chains

Some of the business activities of our raw materials suppliers involve land uses that can influence biodiversity (**driver of biodiversity loss: land-use change**). We have laid down our expectations of our suppliers with regard to environmental, labor and social standards in the supply chain as well as our commitment to preserving biodiversity in the Supplier Code of Conduct (see page 115).

BASF procures various renewable raw materials. As for fossil raw materials, we also consider how renewable resources impact aspects of sustainability along the value chain. Alongside positive effects like avoiding greenhouse gas emissions, these can also have negative effects on areas such as biodiversity or land use, depending on the raw material.

For palm and palm kernel oil in particular, there is an elevated risk of deforestation to create farmland. To improve sustainability in procurement, we established the BASF Palm Commitment in 2011, which was updated in 2015 and is implemented with our Palm Sourcing Policy. Third-party certification with standards such as the Roundtable on Sustainable Palm Oil (RSPO) standard enables us to take biodiversity criteria into account when purchasing raw materials (see page 118).

Our **position on forest protection** sets out our commitment to preserving biodiversity in areas of High Conservation Value such as High Carbon Stock forest areas and peatlands in the procurement of renewable raw materials. BASF again participated in the "Forests" assessment conducted by the international organization CDP in 2022 and achieved a score of A–, once more giving it Leadership status. The assessment is conducted based on detailed insights into the palm value chain and activities that impact ecosystems and natural habitats.

We are also committed to the environmental sustainability of other supply chains through our own, targeted initiatives. One example is our rambutan program. This was launched in 2014 in close collaboration with partners in Vietnam to source botanical ingredients for cosmetic products from certified organic rambutan gardens. In cooperation with local farmers and NGOs, BASF's program promotes the preservation of biodiverse habitats, as well as good agricultural practices, gender equity and fair working conditions.

 For more information on the CDP forests questionnaire, see [basf.com/en/cdp](https://www.basf.com/en/cdp)

## Strategic partnerships to promote biodiversity

Engaging in ongoing dialog with a variety of stakeholders is important to BASF. That is why we seek out partnerships with relevant interest groups and organizations worldwide to raise awareness of biodiversity and drive forward the action needed to preserve natural habitats. This enables us to firstly share the knowledge gained from our biodiversity activities and secondly learn from others to improve our own practices.

We cooperate with a number of organizations including the Roundtable on Sustainable Palm Oil, the Sustainable Palm Oil Forum, the Brazilian Coalition on Climate, Forests and Agriculture and the High Carbon Stock Approach Steering Group. The Taskforce on Nature-related Financial Disclosures (TNFD) is working to provide a framework for reporting on nature-related risks and related activities. In 2021, BASF joined the newly established TNFD Forum, a consultative network, to support this development. Our involvement in organizations such as the Alliance to End Plastic Waste and the Alliance for Water Stewardship (see page 144) help to preserve biodiversity in bodies of water.

Together with international partners and based on dialog with stakeholders in the food value chain, we are driving forward measures to promote sustainable agriculture. In the United States, for example, BASF is a member of the Honey Bee Health Coalition, which aims to achieve healthy honey bee populations and support healthy populations of native and managed pollinators in productive agricultural systems and thriving ecosystems. BASF France is part of the Entreprises pour l'Environnement (EpE) network, which launched the Act4nature campaign with the main objective of protecting and enhancing biodiversity.

Since 2013, we have also been working with different farmers and experts from the BASF FarmNetwork Sustainability, an association of farms in Europe, to integrate more connected biodiversity areas into agricultural production. By creating and maintaining new habitats and linking habitats for living, breeding and feeding with each other, biodiversity can be sustainably promoted in a modern,

conventional agriculture. Based on the insights gained from working together, an advisory board of experts from agriculture, nature conservation and environmental protection developed a biodiversity checklist and published it in 2021. This summarizes 10 ecologically effective measures to promote biodiversity. Since 2021, BASF has supported farmers participating in its #wirzahlenBiodiversität (“We pay biodiversity”) program financially and with professional advice. ]

 For more information on our responsible management of resources, see page 43

For more information on product stewardship, see pages 130 and 132

 For more information on our commitment to biodiversity, see [basf.com/biodiversity](https://basf.com/biodiversity)

For more information on our position on forest protection, see [basf.com/forestprotection](https://basf.com/forestprotection)

# Forecast

**We expect the global economy to grow only weakly by 1.6% in 2023 (2022: +3.0%). High raw materials costs, rising consumer prices and higher interest rates will depress demand worldwide. We are also assuming that the positive post-pandemic effects have already run their course. We expect growth of only 1.8% for global industrial production (2022: +2.5%) and 2.0% for global chemical production (2022: +2.2%). Uncertainty about future developments remains high.**

In this section:  
Economic Environment in 2023  
Outlook 2023  
Opportunities and Risks

## Economic Environment in 2023<sup>1</sup>

### At a glance

- Stagnation expected in Europe and the United States
- Moderately higher growth in Asia
- Fragile recovery in the automotive industry
- Moderate growth in the industry as a whole
- Weak growth in global chemical production
- Further decline in European chemical production

In the European Union, gross domestic product is expected to stagnate on the back of high energy costs. High regional natural gas prices will continue to weigh heavily on production in energy-intensive industries. Consequently, we anticipate a significant decrease in chemical production in the E.U. at a similar rate to 2022. In North America, too, we expect gross domestic product to stagnate and chemical production to decline slightly. For China, we are forecasting slightly higher GDP growth compared with the previous year, while growth in other emerging Asian economies will probably weaken. Growth in chemical production in the Asian region as a whole is likely to remain stable overall.

Uncertainty about future developments remains exceptionally high. The future development of the war in Ukraine and its impact on economic growth is virtually impossible to predict. Our forecast assumes that the conflict does not escalate further. We are assuming that an acute gas shortage with regulatory cuts in natural gas supply to energy-intensive industries in Europe can be avoided. Moreover, we do not expect China's departure from its zero-COVID strategy to have any adverse effects that would significantly reduce China's growth or that of its trading partners.

### Trends in the global economy in 2023

We expect GDP to stagnate in the **European Union (E.U.)** (2023: +0.1%, 2022: +3.6%). The support measures taken by many E.U. countries to mitigate the impact of the sharp rise in gas and electricity prices on households and small and medium-sized enterprises will help to prevent a stronger decline. The E.U. countries with a comparatively high industrial share of value added and a high share of natural gas in energy supply are likely to suffer further losses. As a result, we expect gross domestic product to decrease by 0.7% in Germany and by 0.4% in Italy. French GDP will presumably stagnate. The only major E.U. country expected to see slight

growth is Spain (+1.0%). Average GDP in the Eastern E.U. countries will probably stagnate (+0.3%).

In the **United Kingdom**, we expect GDP to decline by 1.2% (2022: +4.1%) due to sharp increases in the cost of living and interest rates, which will depress private consumption and investment.

GDP in the **United States** is expected to stagnate in 2023. U.S. monetary policy is steering a restrictive course in order to further reduce the high inflation rate, which is already declining slightly. High interest rates are slowing construction activity, credit-financed purchases of durable goods and capital expenditures. Offsetting factors include good labor market data and government growth stimulus under the infrastructure program and the Inflation Reduction Act. Low gas prices by international standards will also improve the international competitiveness of energy-intensive industries in the United States.

In the **emerging markets of Asia**, we expect growth to be slightly higher overall (+4.4%) than in 2022 (+3.8%). This is solely due to higher expected growth in **China** (+4.5% in 2023 compared with +3.0% in 2022). For the other emerging markets in Asia, we expect growth to decline overall from 5.5% in 2022 to 4.3% in 2023. In

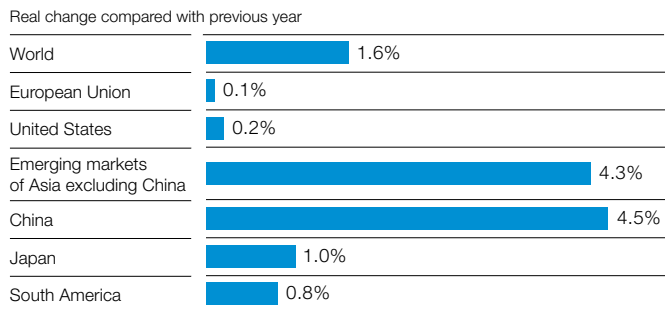
<sup>1</sup> Our assumptions account for current estimates by external institutions, including economic research institutes, banks, multinational organizations and consulting firms.

India, growth is expected to slow to 5.2% (2022: +7.0%). Western trading partners' weak performance will negatively impact the emerging Asian economies. At the same time, their currencies have depreciated significantly against the U.S. dollar in the past year, making energy imports in particular more expensive. We assume that this will be countered by a recovery in domestic demand in China following the lifting of the zero-COVID strategy.

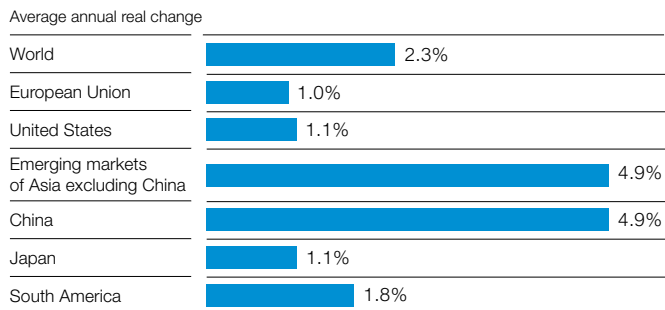
In **Japan**, growth is also expected to slow due to weaker export demand from Western trading partners and the weaker yen, which will make imports more expensive. Conversely, higher growth in China, reduced bottlenecks for semiconductors for the Japanese automotive industry and the continued accommodative course of Japanese monetary policy will support the Japanese economy. We therefore expect only a slight decline in growth overall (2023: +1.0%, 2022: +1.2%).

In **South America**, growth is expected to weaken significantly in 2023. Private consumption in Brazil will no longer be supported by fiscal measures as in the previous year. Given the generally weak global economy, export demand is not expected to provide any additional strong stimulus either. The Argentinian economy is suffering from very high and rising inflation rates. In addition, the scope for additional government spending is severely restricted by the debt restructuring program. The global economic slowdown will also put pressure on raw materials prices. South America is unlikely to benefit from significantly rising export prices for industrial and agricultural commodities in 2023. Overall, we expect GDP in the region to grow by 0.8% in 2023 (2022: +3.7%).

**Outlook for gross domestic product 2023**



**Trends in gross domestic product 2023–2025**



**Outlook for key customer industries**

Overall, we anticipate growth of 1.8% (2022: +2.5%) in global industrial production. Industrial production is expected to contract in the advanced economies (2023: -0.3%, 2022: +0.9%). Growth in the emerging markets will probably remain at a similar level to the previous year (2023: +3.5%, 2022: +3.8%).

For the **transportation industry**,<sup>1</sup> we are forecasting lower growth of 2.8% in 2023 compared with the previous year (+5.7%). Although supply bottlenecks in the automotive industry, especially

semiconductor shortages, are expected to ease further, demand for motor vehicles will cool due to declining purchasing power and rising interest rates. We expect global production volumes of passenger cars and light commercial vehicles to rise to around 84 million units in the coming year (2022: 82 million units). This means that the total number of vehicles produced is still almost 9% below pre-pandemic levels (around 92 million vehicles produced annually on average from 2015 to 2019). We expect the expansion of electromobility to progress rapidly and the share of total production volumes attributable to purely battery-electric vehicles to rise significantly from 10% in 2022 to almost 14% in 2023.

The catch-up effects in the European and North American automotive markets following the pandemic-related disruptions to supply chains are expected to slowly taper off. For both markets, we are assuming further but slower growth than in 2022. Following the significant increase in production in the previous year, we also anticipate weaker market growth in China. We also expect growth rates to decline overall in the other emerging markets of Asia. For Japan, on the other hand, we are forecasting a recovery in growth from a low baseline.

In the **energy and raw materials** sector, we expect lower growth in output overall due to the macroeconomic slowdown, mainly as a result of weaker growth in demand for oil and gas. Regional growth rates will vary considerably. Oil and gas production should continue to grow strongly in the United States but decline in Asia. In Europe, production will probably stagnate. By contrast, production of other non-agricultural commodities will grow at high, stable rates in Asia, stagnate in the United States and decline in Europe.

Growth in the **construction industry** is expected to continue to slow. Residential construction is likely to contract due to higher mortgage rates in Europe and the United States and the further cooling of the housing market in China. For other building construction, we expect weak growth roughly at the level of the previous year. By contrast, we are forecasting higher year-on-year growth for

<sup>1</sup> The transportation industry includes the production of motor vehicles, motor vehicle parts and the construction of other vehicles (especially ships and boats, trains, air and spacecraft, and two-wheelers).



the infrastructure segment, which should benefit from rising public spending in both the E.U. and the United States.

**Consumer goods production** is expected to grow only slightly faster than global GDP. The declining purchasing power of private households will have a particularly negative impact on demand for durable consumer goods, for example from the furniture industry. After production declined in 2022, we expect only slight growth for the textile industry, exclusively in the emerging markets. Growth in production of consumables, particularly in care products, will presumably weaken in line with GDP growth.

The **electronics industry** is also expected to grow at a slower pace in 2023 than in the previous year as private demand for PCs, personal communication devices and consumer electronics is dampened by high consumer price inflation, and many major purchases with long service lives were brought forward during coronavirus lockdowns. However, growth will be supported by the ongoing digitalization trend, meaning that growth rates should significantly outpace global GDP.

In the **health and nutrition** sector, we expect growth to be slightly higher and above GDP. The pharmaceutical industry is expected to return to slightly stronger growth after low growth in 2022 due to the vaccine boom in the previous year. Overall, food production will also increase at a slightly stronger rate than in the previous year but with wide regional differences. We expect lower growth for the advanced economies but slightly stronger year-on-year growth for the emerging markets due to the gradual recovery in China.

**Agricultural** production is expected to grow at a similar rate in 2023 to the average for recent years. Around 80% of growth will come from Asia, which is responsible for two-thirds of global agricultural production. Agricultural production in Asia and South America will outpace world production. For North America and Europe, we are only assuming slight growth.

### Outlook for the chemical industry

Global chemical production (excluding pharmaceuticals) is expected to grow by 2.0% in 2023, slower than in the previous year (2022: +2.2%). We again anticipate a decline in production in the advanced economies (2023: -3.0%, 2022: -2.9%). Growth in the emerging markets is expected to slow slightly (2023: +4.4%, 2022: +4.8%).

In **China**, the world's largest chemical market, we are forecasting slightly weaker growth in chemical production of 5.9% (2022: +6.6%). We expect the opening of the Chinese economy to bring with it higher growth in Chinese domestic demand, especially in the consumer goods industries and the health and nutrition sector, as well as positive contributions to growth from the automotive and electronics industries.

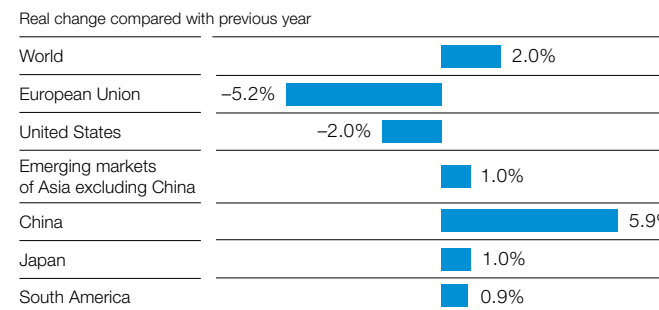
Chemical production in the **E.U.** should again decrease by 5.2% (2022: -5.8%), well below the overall industrial development forecast for Europe. Due to the high energy costs, no major catch-up effects are expected in energy-intensive basic chemicals following the already strongly negative prior year. Growth should mainly be driven by demand from the automotive industry. By contrast, consumption of durable and non-durable consumer goods is not likely to increase. We also expect chemical production in the **United Kingdom** to continue to decline (2023: -5.5%, 2022: -5.0%).

In the **United States**, the positive base effects that supported growth in 2022 will come to an end. Domestic demand will largely stagnate, with the exception of the automotive industry, the energy sector and the electronics industry. Demand from the construction industry is expected to decline on the back of high interest rates. Export demand for chemicals from Europe should provide positive momentum given the lower raw materials and energy prices. Overall, we expect a slight decline in chemical production (2023: -2.0%, 2022: +2.3%).

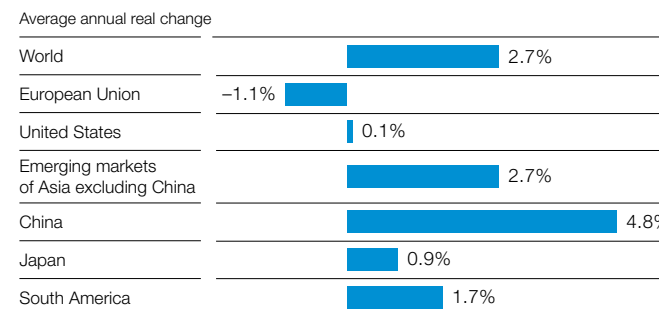
For **Japan**, we are forecasting a weak recovery after the decline in the previous year (2023: +1.0%, 2022: -3.0%). Growth stimulus here is expected to come primarily from the automotive sector.

**South America** will presumably see much lower growth in chemical production (2023: +0.9%, 2022: +2.6%). Demand from the consumer goods industries is expected to grow at a similarly weak rate to GDP. By contrast, we expect demand from the agricultural sector to increase more strongly and demand from the automotive industry to remain solid but with weaker growth than in the previous year.

### Outlook for chemical production 2023 (excluding pharmaceuticals)



### Trends in chemical production 2023–2025 (excluding pharmaceuticals)



## Outlook 2023

The high level of uncertainty that arose over the course of 2022 due to the war in Ukraine, high raw materials and energy costs in Europe, rising prices and interest rates, inflation and the development of the coronavirus pandemic will continue in 2023. All of these factors will negatively impact global demand, which is why we only expect moderate growth for the global economy in 2023.

### Outlook for 2023 at a glance

- Sales of between €84 billion and €87 billion
- EBIT before special items of between €4.8 billion and €5.4 billion
- ROCE of between 7.2% and 8.0%
- CO<sub>2</sub> emissions of between 18.1 million metric tons and 19.1 million metric tons
- Capex of around €6.3 billion

We anticipate moderate growth in the majority of our customer industries and expect the slight recovery in the automotive industry in particular to continue. Our forecast assumes that the war in Ukraine will continue but not escalate further, although the further development of the war in Ukraine and its effects on economic growth are still subject to a high degree of uncertainty. In addition, we are assuming that an acute gas shortage with regulatory cuts in natural gas supply to energy-intensive industries in Europe will not materialize. We expect China's departure from its zero-COVID strategy to have a positive impact on the development of demand.

The global economy is expected to grow by only 1.6% in 2023 (2022: 3.0%). We expect growth of 1.8% for global industrial production (2022: 2.5%), while global chemical production is likely to expand by 2.0% in 2023 (2022: 2.2%). Our planning assumes an average oil price of \$90 for a barrel of Brent crude and an exchange

rate of \$1.05 per euro. We anticipate elevated and very volatile gas prices in Europe.

 For more information on our expectations for the economic environment in 2023, see page 151 onward

For more information on the material opportunities and risks that could affect our forecast, see page 157 onward

### Sales, earnings and ROCE forecast for the BASF Group<sup>1</sup>

The BASF Group is expected to generate **sales** of between €84 billion and €87 billion in 2023. Planned volume growth in all segments will contribute here. We anticipate slight sales growth in the Agricultural Solutions and Materials segments, mainly driven by higher prices and volumes in both segments. Sales in Other should be slightly higher. We are forecasting sales at prior-year level in the Nutrition & Care segment. We anticipate lower price levels, especially for basic chemicals and precious metals, which will lead to a slight sales decrease in the Chemicals and Surface Technologies segments. The Industrial Solutions segment is also expected to see slightly lower sales due to the sale of the kaolin minerals business.

The BASF Group's **EBIT before special items** is expected to decline to between €4.8 billion and €5.4 billion. Our planning for the Agricultural Solutions segment assumes a slight increase in EBIT before special items. In the Nutrition & Care, Surface Technologies and Industrial Solutions segments, we expect slightly lower EBIT before special items. We anticipate significantly lower contributions from the Chemicals and Materials segments and from Other. We expect a weak first half of 2023 followed by an improved earnings

environment in the second half of the year due to recovery effects, especially in China.

Based on the weaker earnings performance and slightly higher cost of capital basis forecast for the BASF Group in 2023, we expect a **ROCE** of between 7.2% and 8.0%. ROCE should increase slightly in the Agricultural Solutions segment. In the Industrial Solutions and Surface Technologies segments, ROCE is likely to decline slightly. Compared with the previous year, we anticipate a considerable decrease in ROCE in the Chemicals, Materials and Nutrition & Care segments.

### CO<sub>2</sub> emissions forecast for the BASF Group

**CO<sub>2</sub> emissions** are expected to be between 18.1 million metric tons and 19.1 million metric tons in 2023. We anticipate additional emissions from moderate growth in production and slightly higher capacity utilization at emissions-intensive plants. For example, the ammonia plants in Europe will probably see higher capacity utilization compared with 2022 but will continue to run at low levels due to sustained high gas prices. We will counteract this increase with targeted measures to reduce emissions, further increase energy efficiency and optimize processes and, above all, continue the shift to electricity from renewable energies.

<sup>1</sup> For sales, "slight" represents a change of 0.1%–5.0%, while "considerable" applies to changes of 5.1% and higher. "At prior-year level" indicates no change (+/-0.0%). For earnings, "slight" means a change of 0.1%–10.0%, while "considerable" is used for changes of 10.1% and higher. "At prior-year level" indicates no change (+/-0.0%). For ROCE, we define a change of 0.1 to 1.0 percentage points as "slight," a change of more than 1.0 percentage points as "considerable" and no change (+/-0.0 percentage points) as "at prior-year level."

**Forecast by segment**

Million €

	Sales		EBIT before special items		ROCE	
	2022	2023 forecast	2022	2023 forecast	2022	2023 forecast
Chemicals	14,895	↘	1,956	↓	15.6%	↓
Materials	18,443	↗	1,840	↓	14.9%	↓
Industrial Solutions	9,992	↘	1,091	↘	16.0%	↘
Surface Technologies	21,283	↘	902	↘	3.9%	↘
Nutrition & Care	8,066	↗	618	↘	7.5%	↓
Agricultural Solutions	10,280	↗	1,220	↗	7.1%	↗
Other	4,368	↗	-749	↓	-	-
<b>BASF Group</b>	<b>87,327</b>	<b>€84 billion–€87 billion</b>	<b>6,878</b>	<b>€4.8 billion–€5.4 billion</b>	<b>10.0%</b>	<b>7.2%–8.0%</b>

→ At prior-year level: no change (+/-0.0%)  
 ↗ ↘ Slight increase/decrease: "slight" represents a change of 0.1%–5.0% for sales; 0.1%–10.0% for earnings; 0.1 to 1.0 percentage points for ROCE  
 ↑ ↓ Considerable increase/decrease: "considerable" represents a change of 5.1% or higher for sales; 10.1% or higher for earnings; more than 1.0 percentage points for ROCE

**Sales and earnings forecast for the segments**

Sales in the **Chemicals** segment are expected to decrease slightly in 2023 due to lower prices in both operating divisions. This will be driven by pressure on prices caused by higher product availability overall as new production capacities come on stream and supply chain problems ease. An expected recovery in demand, especially in China, will lead to volume growth in the segment. This will presumably not be able to fully compensate for the negative price effects. The lower prices will also put pressure on margins. Consequently, we are forecasting a considerable decline in EBIT before special items in both operating divisions. In addition, earnings performance will be negatively impacted by significantly higher fixed costs, mainly from investments in the construction of the new Verbund site in Zhanjiang, China, and in the expansion of the ethylene oxide plant in Antwerp, Belgium.

We are forecasting slight sales growth for the **Materials** segment. Given the continued volatile market environment, we anticipate higher prices driven by raw materials costs in the Monomers division. Slight volume growth overall will contribute to the sales increase. However, we are seeing diverging trends within the segment: The Performance Materials division will presumably record volume growth in all customer industries. By contrast, we anticipate slightly lower sales volumes in the Monomers division. We are forecasting a considerable decrease in the segment's EBIT before special items due to earnings development in the Monomers division. The division's EBIT before special items is expected to decline considerably as a result of lower margins, after strong margins in 2022. In the Performance Materials division, by contrast, we anticipate considerable growth in EBIT before special items due to the positive development of sales volumes amid stable margins.

Our planning for the **Industrial Solutions** segment assumes slightly lower sales in both divisions in 2023. The volume growth targeted for the Performance Chemicals division will only partially offset the effect on sales of the divestiture of the kaolin minerals business as of September 30, 2022, and expected price declines due to lower demand. The slight sales decrease in the Dispersions & Resins division will mainly reflect lower volumes on the back of softer demand. We are forecasting a slight decline in the segment's EBIT before special items. This will primarily result from considerably lower EBIT before special items expected in the Dispersions & Resins division due to weaker margins. This will only be partially offset by considerable earnings growth in the Performance Chemicals division, mainly from higher volumes.

In the **Surface Technologies** segment, we are forecasting a slight sales decrease compared with 2022. This will primarily be driven by a significant decline in precious metal prices expected in the Catalysts division. Sales will be boosted by higher prices in the Coatings division and forecast volume growth in both divisions. The segment's EBIT before special items is expected to decline slightly. We expect considerably higher EBIT before special items in the Coatings division as a result of higher margins and volumes. In the Catalysts division, by contrast, we anticipate a considerable decrease due to weaker margins caused by high raw materials prices and lower precious metal prices.

We expect sales in the **Nutrition & Care** segment to be at prior-year level. Prices are expected to be lower overall as a result of declining raw materials prices. This will be compensated by volume growth in both operating divisions due to improved product availability and an easing of global supply chains. The segment's EBIT before special items should be slightly below the prior-year figure.

In the **Agricultural Solutions** segment, we expect slight sales growth in 2023. This will be mainly driven by higher prices while demand for agrochemicals and seeds will remain on a continuously high level. Based on the sales increase and a positive margin development, we are forecasting slightly higher EBIT before special items.

Sales in **Other** are expected to be slightly above the prior-year level in 2023. This should mainly result from higher sales from other activities, primarily driven by price increases. We anticipate a considerable decline in EBIT before special items compared with the previous year. This will largely reflect lower gains from hedging transactions, among other factors.

### Capital expenditures (capex)

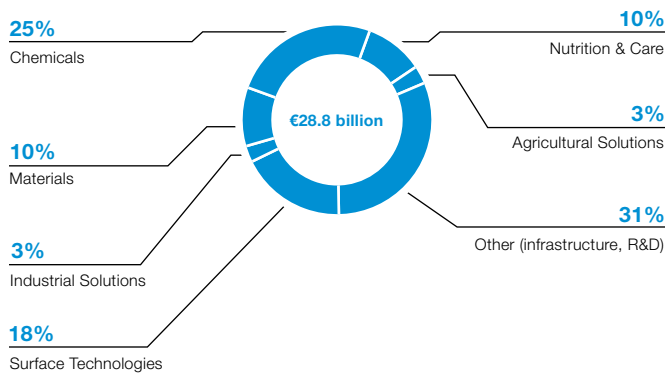
We are planning capital expenditures (additions to property, plant and equipment excluding acquisitions, IT investments, restoration obligations and right-of-use assets arising from leases) of around €6.3 billion for the BASF Group in 2023. For the period from 2023 to 2027, we have planned capital expenditures totaling €28.8 billion, including €13.6 billion for our major growth projects – the new Verbund site in Zhanjiang, China, and the expansion of the battery materials business. The investment volume in the next five years will thus be above that of the planning period 2022 to 2026 (€25.6 billion).

Projects currently being planned or underway include:

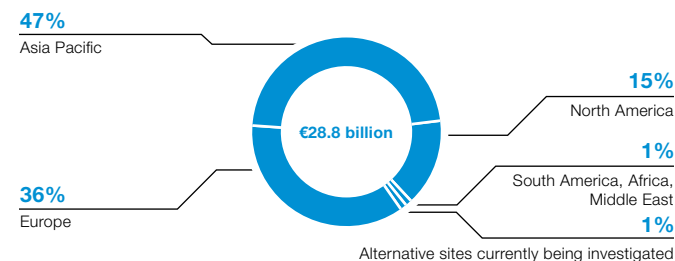
#### Capex: selected projects

Location	Project
Chalampé, France	Construction of a production plant for hexamethylenediamine
Geismar, Louisiana	Capacity expansion at MDI plant
Ludwigshafen, Germany	Modernization of chloroformates and acid chlorides production
Schwarzheide, Germany	Construction of a production plant for battery materials
Zhanjiang, China	Construction of a smart Verbund site

#### Capex by segment 2023–2027



#### Capex by region 2023–2027



### Dividend

We have an ambitious dividend policy and offer our shareholders an attractive dividend yield. We aim to increase our per-share dividend each year.

[Information on the proposed dividend can be found on page 13](#)

### Financing

In 2023, we expect cash outflows in the equivalent amount of around €2.1 billion from the scheduled repayment of bonds. To refinance maturing bonds and to optimize our maturity profile, we continue to have medium to long-term corporate bonds and our global commercial paper program at our disposal.

[Information on our financing policies can be found on page 64 onward](#)

### Events after the reporting period

There have been no significant changes in the company's situation or market environment since the beginning of the 2023 business year.

## Opportunities and Risks

GRI 2, 201

**The goal of BASF's risk management is to identify and evaluate opportunities and risks as early as possible and to take appropriate measures in order to seize opportunities and limit risks. The aim is to avoid risks that pose a threat to BASF's continued existence and to make improved managerial decisions to create value. We define opportunities as potential successes that exceed our defined goals. We understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals.**

### At a glance

- Integrated process for opportunity and risk identification, assessment and reporting
- Decentralized management of specific opportunities and risks: aggregate reporting at Group level
- Material opportunities and risks for 2023 arise from overall economic developments and margin volatility

Where appropriate, we measure and manage opportunities and risks in terms of probability and economic impact in the event they occur. Where possible, we use statistical methods to aggregate opportunities and risks into risk factors. In addition, we use a qualitative evaluation scale for opportunities and risks to assess both business and sustainability aspects that cannot be quantified. In this way, we achieve an overall view of opportunities and risks allowing us to aggregate risks at Group level and take effective risk management measures.

### Overall assessment

For 2023, we expect global economic growth to weaken as a result of high energy prices and inflation rates, rising interest rates and the phasing out of catch-up effects from the coronavirus pandemic. General economic uncertainty will remain exceptionally high.

A further escalation of geopolitical conflicts, for example in China, could lead to disruptions in global supply chains and greater

restrictions on the supply of energy, industrial raw materials and intermediates. The war in Ukraine poses significant risks for market development in Europe.

Weaker growth in China as a result of ongoing pandemic-related disruptions may give rise to risks for supply chains as well as the development of global demand.

In addition, there is considerable uncertainty surrounding consumers' reaction to the sharp rise in energy prices, inflation and the resulting loss of purchasing power. Opportunities will arise in particular from stronger growth in demand resulting from an improved overall economic environment.

Due to the exceptionally volatile markets, especially in Europe, the risks arising from European gas price developments and the availability of natural gas cannot currently be reliably estimated. The assumptions in our planning for 2023 are based on European gas prices that significantly exceed the 2019–2021 average. The overall assessment therefore does not include any additional opportunities or risks that could arise from the volatility of European gas prices.

The gas price brake in Germany and measures taken by other E.U. countries mean that these risks are partially mitigated by the state.

Furthermore, BASF will take internal measures, such as adjustments to production processes, if energy prices remain high. We are also responding to structurally higher energy costs with cost reduction measures.

We are continually monitoring the further development of natural gas prices. In the event of regulatory changes or changes in the market environment, we will adjust the overall assessment of opportunities and risks accordingly.

According to our assessment, there continue to be no significant individual risks that pose a threat to the continued existence of the BASF Group. The same applies to the sum of individual risks, even in the case of a global economic crisis.

Ultimately, however, residual risks (net risks) remain in all entrepreneurial activities that cannot be ruled out, even by comprehensive risk management.

As a non-integral shareholding, income from Wintershall Dea AG is reported in net income from shareholdings. The opportunities and risks resulting from the shareholding in Wintershall Dea are therefore not included in the outlook for the EBIT of the BASF Group. Opportunities and risks that have an impact on net income from shareholdings and cash flow from the shares in Wintershall Dea are monitored and tracked through BASF's involvement in the relevant governing bodies.

 For more information on the non-integral, equity-accounted shareholding in Wintershall Dea, see Note 10 to the Consolidated Financial Statements from page 231 onward

**Potential short-term effects on EBIT of key opportunity and risk factors subsequent to measures taken<sup>a</sup>**

Possible variations related to:	Outlook – 2023 +	
<b>Business environment and sector</b>		
Market growth	■■■■■■■	■■■■□□□
Margins	■■■■■■■	■■■■■■■
Competition	□□□□■	■□□□□□
Regulation/policy	□□□□■	□□□□□□
<b>Company-specific opportunities and risks</b>		
Procurement	□□□□■	■□□□□□
Supply chain	□□□□■	■■□□□□
Investments/production	□□□□■	□□□□□□
Acquisitions/divestitures/cooperations	□□□□■	□□□□□□
Personnel	□□□□■	□□□□□□
Information technology	□□□□■	□□□□□□
Compliance/legal	□□□□■	■□□□□□
Tax	□□□□■	■□□□□□
<b>Financial</b>		
Exchange rate volatility	□□□□■	■□□□□□
Other financial opportunities and risks	□□□□■	■□□□□□

□□□□■	< €100 million
□□□□■	≥ €100 million < €500 million
□□□□■	≥ €500 million < €1,000 million
□□□□■	≥ €1,000 million < €1,500 million
□□□□■	≥ €1,500 million < €2,000 million
■■■■■■■	≥ €2,000 million < €2,500 million

<sup>a</sup> Using a 95% confidence interval per risk factor based on planned values; summation is not permissible. Excludes European gas price volatility.


**Risk management process**

The BASF Group's risk management process is based on the international risk management standard, COSO II Enterprise Risk Management – Integrated Framework and comprises the risk management system, internal control systems and compliance management. Its key features are as follows:

**Organization and responsibilities**

- Risk management and the internal control system is the responsibility of the Board of Executive Directors. It defines the basic requirements and processes as well as the organization of the risk management system. It also determines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the Corporate Center. Corporate Finance and Corporate Development, which are units within the Corporate Center, and the Chief Compliance Officer (CCO) coordinate the risk management process at a Group level, examine financial and sustainability-related opportunities and risks, and provide the structure and appropriate methodology. Opportunity and risk management is thus integrated into the strategy, planning and budgeting processes.
- BASF's risk committee reviews the BASF Group's risk portfolio at least twice a year to evaluate any adjustments to risk management measures and informs the Board of Executive Directors of these. Members of the risk committee are the president of Corporate Finance (chair), the president of Corporate Development, the president of Corporate Legal, Compliance & Insurance and the heads of the Corporate Audit, Corporate Environmental Protection, Health, Safety & Quality, Corporate Treasury, and Group Reporting & Performance Management departments.
- The management and control of specific opportunities and risks is largely delegated to the divisions, the service and research units and the regions, and is steered at a regional or local level. This also applies to sustainability-related topics relevant to BASF including the impact of climate change on BASF. A network of risk managers in the divisions, service and research units as well as in the regions advances the implementation of appropriate risk management practices in daily operations. Financial risks are an

exception. The management of liquidity, currency and interest rate risks is conducted in the Corporate Finance department. The management of commodity price risks takes place in the Global Procurement unit or in authorized Group companies.

- The BASF Group's management is informed of short-term operational opportunities and risks that fall within an observation period of up to one year in the monthly management report produced by Corporate Finance. In addition, Corporate Finance provides information twice a year on the aggregated opportunity/risk exposure of the BASF Group. Furthermore, any arising individual risks which have an impact of more than €10 million on earnings or risks qualitatively evaluated to have a material impact, such as reputational risks, must be reported immediately.
  - As part of strategy development, the Corporate Development department additionally conducts strategic opportunity/risk analyses with a 10-year assessment period. These analyses are annually reviewed as part of strategic controlling and are adapted if necessary. Scenarios were also developed to map possible impacts beyond the ten-year horizon, for example from climate-related developments.
  - We also regularly consider exceptional situations at global, regional and local level – from process safety incidents and goods spillages to pandemics and cyberattacks – which occur very rarely but can have a fundamental impact. In addition, a crisis organization exists to proactively create contingency plans where necessary and appropriate. The crisis management organization is activated in the event of a sudden crisis.
-  For more information on health and safety and emergency response, see page 125 onward
- BASF's CCO manages the implementation of our Compliance Management System, supported by additional compliance officers worldwide. The CCO regularly reports to the Board of Executive Directors on the status of implementation as well as on any significant results and provides a status report to the Supervisory Board's Audit Committee at least once a year, including any major developments. The Board of Executive

Directors immediately informs the Audit Committee about significant incidents.

For more information on compliance, compliance management and monitoring adherence to our compliance principles, see page 179 onward

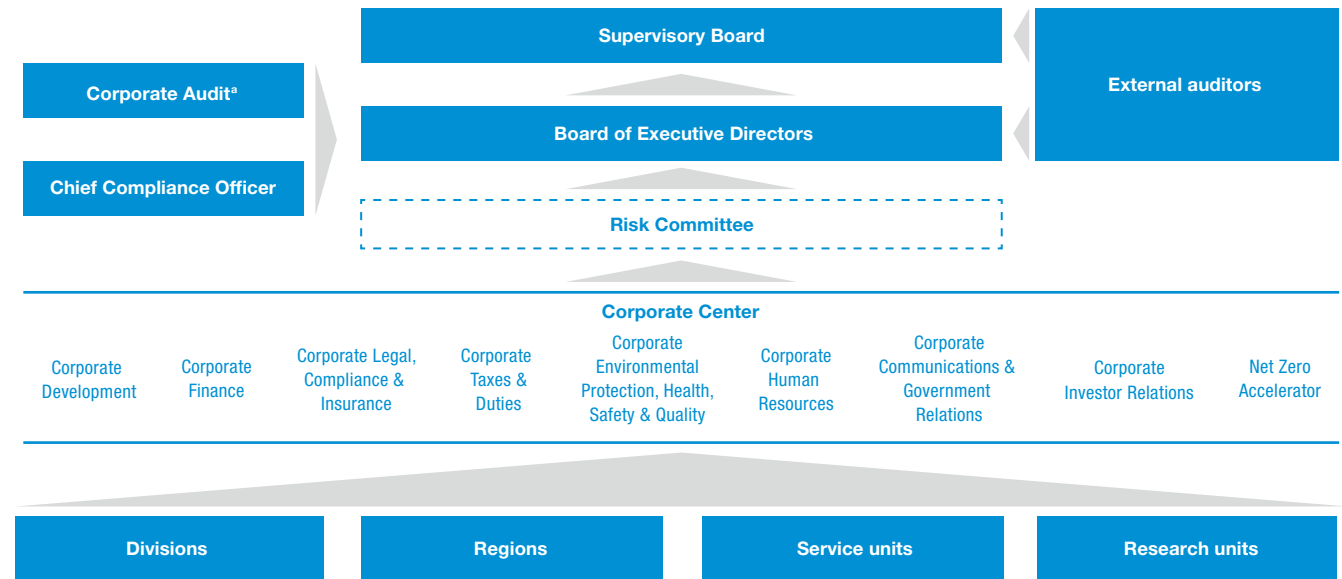
- Risk-specific monitoring and control systems, some of which are decentralized, have been set up for each area identified in the risk portfolio. The results of the monitoring processes are incorporated into regular risk reporting to the Risk Committee and the Board of Executive Directors. Compared with internal control systems in financial reporting, these monitoring systems have a lower degree of formalization.
- The Corporate Audit department is responsible for regularly auditing the effectiveness and appropriateness of the risk management system, internal control systems and the compliance management system. In addition, the Supervisory Board's Audit Committee addresses the effectiveness and appropriateness of these systems as part of its monitoring activities. The suitability of the early risk detection system set up by the Board of Executive Directors in accordance with section 91(2) of the German Stock Corporation Act is assessed and evaluated by the auditors.

**Tools**

- The Governance, Risk Management, Compliance (GRC) Policy, applicable throughout the Group, forms the framework for risk management and is implemented by the operating divisions, the service and research units and the regions according to their specific business conditions.
- A catalog of opportunity and risk categories helps identify all relevant financial and sustainability-related opportunities and risks relating to our targets as comprehensively as possible. Here, we take into account topics identified by the materiality analysis that we have an impact on and that have an impact on us, in line with the principle of double materiality.

For more information on the materiality analysis, see page 46 onward

**Organization of BASF Group's risk management**



a The Corporate Audit department is part of the Corporate Center.

- We also systematically assess opportunities and risks with effects that cannot yet be measured in monetary terms, such as climate and reputational risks. To reflect these, risks for companies in connection with the transition to a low-carbon economy (transition risks) as well as physical risks as defined by the Task Force on Climate-related Financial Disclosures (TCFD), among others, were added to this catalog.
- Because global climate policy ambitions and the implementation of the relevant measures play a decisive role in the ongoing growth of the chemical industry and its customer industries, we defined and quantified global long-term scenarios (up to 2050) with various global warming paths. To assess the impact of different global climate policy approaches on our business units, the scenarios were discussed by the business units in workshops. Feedback was incorporated into the ongoing development of the scenarios. A dataset of scenario-specific macroeconomic

parameters will be provided to test the economic feasibility of investments and business strategies.

For more information on our sustainability management processes, see page 45 onward

- We use standardized evaluation and reporting tools for the identification and assessment of risks. The aggregation of opportunities, risks and sensitivities at division and Group level using a Monte Carlo simulation helps us to identify effects and trends across the Group. We also aggregate qualitatively assessed risks at Group level using a risk portfolio.
- Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. Our global employee Code of Conduct firmly embeds these mandatory standards into everyday business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

For more information on our Group-wide Compliance Program, see page 179 onward

- Based on the reviews and findings of the risk management process, the Board of Executive Directors has no indication that BASF's risk management system, including the internal control system, is not adequate or effective in its entirety.

### Significant features of the internal control and risk management system with regard to the Group financial reporting process

The Group Management's Report and the Consolidated Financial Statements are prepared by a unit in the Corporate Finance department. The Consolidated Financial Statements are derived from the separate financial statements of the subsidiaries and joint operations, taking into account the relevant data for the joint ventures and associated companies accounted for using the equity method. The BASF Group's accounting process is based on a uniform accounting guideline that, alongside accounting policies based on the International Financial Reporting Standards applicable in the European Union, defines the significant processes and deadlines for the Group. There are binding directives for the internal reconciliations and other accounting operations within the Group. Standard software is used to carry out the accounting processes for the preparation of the individual financial statements as well as for the Consolidated Financial Statements. There are clear rules for the access rights of each participant in these processes.

Employees involved in the accounting and reporting process meet the qualitative requirements and participate in training on a regular basis. There is a clear assignment of responsibilities between the specialist units, companies and service units involved. We strictly adhere to the principles of segregation of duties and dual control or the "four-eyes principle." Complex actuarial reports and evaluations are produced by specialized service providers or specially qualified employees.

An internal control system for financial reporting continuously monitors these principles. To this end, methods are provided to ensure that evaluation of the internal control system in financial

reporting is structured and uniform across the BASF Group. They also work in accordance with the international risk management standard, COSO II Enterprise Risk Management – Integrated Framework.

Material risks for the BASF Group regarding a reliable control environment for proper financial reporting are reviewed and updated on an annual basis. Risks are compiled into a central risk catalog.

Moreover, a centralized selection process identifies companies that are exposed to particular risks, that are material to the Consolidated Financial Statements of the BASF Group, or that provide service processes. The selection process is conducted annually. Persons responsible for implementing the requirements for an effective control system in financial reporting are appointed at the relevant companies.

The process for identifying, evaluating, managing and controlling risks related to preparing the Consolidated Financial Statements as well as monitoring these processes in the selected companies comprises the following steps:

#### – Evaluation of the control environment

Adherence to internal and external guidelines that are relevant to the maintenance of a reliable control environment is checked by means of a standardized questionnaire.

#### – Identification and documentation of control activities

In order to mitigate the risks to the financial reporting processes listed in our central risk catalog, critical processes and control activities are documented.

#### – Assessment of control activities

After documentation, a review is performed to verify whether the described controls are capable of adequately covering the risks. In the subsequent test phase, spot checks are carried out to test whether, in practice, the controls were executed as described and effective.

#### – Monitoring of control weaknesses

The responsible leaders receive reports on any control weaknesses identified and their resolution, and an interdisciplinary committee investigates their relevance to the BASF Group. The

Board of Executive Directors and the Audit Committee are informed if control weaknesses with a considerable impact on financial reporting are identified. Only after material control weaknesses have been resolved does the company's managing director confirm the effectiveness of the internal control system.

#### – Internal confirmation of the internal control system

All managing directors and chief financial officers of each consolidated Group company must confirm to the Board of Executive Directors of BASF SE every half-year and at the end of the annual cycle, in writing, that the internal control system is effective with regard to accounting and reporting.

### Operational opportunities and risks

#### Market growth

The development of our sales markets is one of the strongest sources of opportunities and risks. For more details on our assumptions regarding short-term growth rates for the global economy, regions and key customer industries, such as the chemicals, automotive and construction sectors, see Economic Environment in 2023 on pages 151 to 154.

We also consider opportunities and risks caused by deviations in assumptions. Macroeconomic opportunities arise from an easing of geopolitical conflicts and the resulting reduction in bottlenecks in the supply of energy, industrial raw materials and other intermediate goods. The complete reversal of restrictions to contain the coronavirus pandemic in China and the rapid opening up of the country may also boost global demand more than assumed in our baseline forecast.

Conversely, a significant macroeconomic risk arises from prolonged lockdowns again being imposed to contain the coronavirus, impacting global supply chains and supply and demand. Further increases in energy prices caused, for example, by the war in Ukraine, and the even higher inflation rates resulting from this for manufacturer and consumer prices also pose a risk to the economy. Additional macroeconomic risks result from the escalation of



geopolitical conflicts and a further intensification of the trade conflict between the United States and China.

Weather-related influences can result in positive or negative effects on our business, particularly in the Agricultural Solutions segment.

### **Margins**

Opportunities and risks for the BASF Group primarily result from higher or lower margins in the Chemicals and Materials segments in particular. Further increases in energy and raw materials prices and raw materials shortages for a number of products and value chains, mainly due to the war in Ukraine, could further increase pressure on margins. This would have a negative effect on our EBIT.

The year's average oil price for Brent crude was \$101 per barrel in 2022, compared with \$71 per barrel in the previous year. For 2023, we anticipate an average oil price of \$90 per barrel.

There is high uncertainty, especially surrounding the development of gas prices and the availability of natural gas in Europe in particular. The overall assessment therefore does not include any opportunities and risks that could arise from the volatility of European gas prices (see "Overall assessment").

### **Competition**

We continuously enhance our products and solutions in order to remain competitive. We monitor the market and the competition, and try to take targeted advantage of opportunities and counter emerging risks with suitable measures. Aside from innovation, key components of our competitiveness are our ongoing cost management and continuous process optimization.

### **Regulation/policy**

Risks for us can arise from intensified geopolitical tensions, new trade sanctions, stricter emissions limits for plants, and stricter energy and chemicals legislation in the E.U.

Political measures could also give rise to opportunities. For example, we view measures around the world to increase energy efficiency

and reduce greenhouse gas emissions as a strategic opportunity for increased demand for products such as our insulation foams for buildings, catalysts, battery materials for electromobility, or our solutions for wind turbines.

### **Procurement**

We minimize procurement risks through our broad portfolio, global purchasing activities and the purchase of raw materials on spot markets. We avoid sourcing raw materials from a single supplier wherever possible by creating and leveraging competition. We continually monitor all risks on the procurement markets, for example, the risk of default by important business partners. We take measures to avoid risks or minimize their effects.

### **Supply chain**

We address the risk of supply interruptions on the procurement and sales side caused, for example, by extreme weather conditions (such as high/low water levels on rivers, heat/cold waves and hurricanes), the frequency and intensity of which are increasing as a result of climate change, by switching to alternative transportation solutions and the possibility of falling back on other sites within our global Verbund.

### **Investments/production**

We try to prevent unscheduled plant shutdowns by adhering to high technical standards and by continuously improving our plants. We reduce the effects of an unscheduled shutdown on the supply of intermediate and end products through diversification within our global production Verbund.

In the event of a production outage – caused by an accident, for example – our global, regional or local emergency response plans and crisis management structures are engaged, depending on the scope of impact. Every region has crisis management teams on a local and regional level. They not only coordinate the necessary emergency response measures, they also initiate immediate measures for damage control and resumption of normal operations as quickly as possible.

Crisis management also includes dealing with extreme weather conditions such as hurricanes (for example, at the sites on the Gulf of Mexico in Freeport, Texas, and Geismar, Louisiana) or significantly elevated water temperatures in rivers due to extended heat waves, which limit the available cooling capacity. Appropriate precautions are taken at the sites in the case of a potential change in risk associated with climate change. For example, due to an increase in heat waves, we have implemented several measures at the Verbund site in Ludwigshafen, Germany, and at the Geismar site in Louisiana in recent years to increase cooling capacity, such as expanding and optimizing the central recooling plants and optimizing cooling water flows. These optimization measures are designed to prevent production outages due to extreme heat waves.

Short-term risks from investments can result from, for example, technical malfunctions or schedule and budget overruns. We counter these risks with stringent project management and controlling.

### Acquisitions/divestitures/cooperations

We constantly monitor the market in order to identify possible acquisition targets and develop our portfolio appropriately. In addition, we collaborate with customers and partners to jointly develop new, competitive products and applications.

Acquisitions and divestments entail both opportunities and risks. These arise in connection with the conclusion of a transaction, or it being completed earlier or later than expected. They relate to the regular earnings contributions gained or lost as well as the realization of gains or losses from divestitures if these deviate from our planning assumptions.

 For more information on opportunities and risks from agreed transactions, see page 40

### Personnel

Due to BASF's worldwide compensation principles, the development of personnel expenses is partly dependent on the amount of variable compensation, which is linked to the company's success, among other factors. The correlation between variable compensation and the success of the company has the effect of minimizing risk. Another factor is the development of interest rates for discounting pension obligations. Furthermore, changes to the legal environment of a particular country can have an impact on the development of personnel expenses for the BASF Group. For countries in which BASF is active, we therefore constantly monitor the relevant developments in order to identify potential risks at an early stage and enable suitable measures to be taken.

 For more information on our compensation system, see page 105

For more information on risks from pension obligations, see page 164

### Information technology

BASF employs a large number of IT systems. We use technologies such as big data and the Internet of Things to develop new business models, corporate concepts and strategies and to respond appropriately to changing customer behavior. The global cyber security team is tasked with protecting these IT systems and the data and business processes they handle. In a connected, ever-evolving world, the challenge of protecting BASF against attackers is becoming ever greater and more complex.

The threat environment has changed in recent years, as attackers have become better organized, use more sophisticated technology and have far more resources available. This development reflects the fact that internet-based cyberattacks are extremely lucrative: A variety of vulnerabilities in software and hardware products constantly provide new incentives to develop malware, and anonymization technologies make it almost impossible to trace and punish attacks.

A successful attack can, for example, negatively affect plant availability, delivery quality or the accuracy of our financial reporting. Unauthorized access to sensitive data, such as personnel records or customer data, competition-related information or research results, can result in legal consequences or jeopardize our competitive position. This could also cause monetary losses, a potential loss of reputation and even a loss of customers' and partners' confidence in the security of our products and services.

To minimize such risks, BASF uses globally uniform processes and systems to ensure IT availability and IT security. These include stable and redundantly designed IT systems, backup processes, virus and access protection, encryption systems, and integrated and standardized IT infrastructure and applications. The systems used for information security are constantly tested, continuously updated, and expanded if necessary. In addition, our employees receive regular training on information and data protection. IT-related risk management is conducted using Group-wide regulations for organization and application, as well as an internal control system based on these regulations.

We employ modern security concepts to keep pace with advanced attackers. These range from efficient detection and professional response to defense against attacks and minimizing their potential impact. Strong cyber security alliances are also crucial here. BASF works closely with security authorities and security associations, for example as a founding member of the German Cyber Security Organization (DCSO) and the Cyber Security Sharing and Analytics (CSSA) platform in Berlin, Germany.

BASF has also established an information security management system and is internationally certified according to DIN EN ISO/IEC 27001:2017.

### Compliance/legal

We constantly monitor current and potential legal disputes and proceedings, and regularly report on these to the Board of Executive Directors and Supervisory Board. In order to assess the risks from current legal disputes and proceedings and any potential need to recognize provisions, we prepare our own analyses and assessments of the circumstances and claims considered. In addition, in individual cases, we consider the results of comparable proceedings and, if needed, independent legal opinions. Risk assessment is particularly based on estimates as to the probability of occurrence and the range of possible claims. These estimates are the result of close cooperation between the relevant operating and service units together with Corporate Legal and Corporate Finance. If sufficient probability of occurrence is identified, we recognize a provision for the proceeding concerned. Should a provision be unnecessary, we continue to assess whether these litigations nevertheless represent a risk for the BASF Group's EBIT as part of general risk management.

We use our internal control system to limit risks from potential infringements of rights or laws. For example, we try to avoid patent and licensing disputes whenever possible through extensive clearance research. As part of our Group-wide Compliance Program, our employees receive regular training.

**Tax**

The recognized tax-related opportunities and risks only concern taxes that impact the BASF Group's EBIT in the short term. These arise when BASF has taken a position that differs from the opinion of a competent administrative authority. If a tax payment has already been made and could be reclaimed, we present this as an opportunity. If, on the other hand, a potential payment is outstanding in accordance with the administrative opinion, this is a risk. We primarily evaluate opportunities and risks with regard to their probability of occurrence and, if necessary, set up a provision for the relevant risk. If a provision is not necessary, we take this into account in determining EBIT-relevant risks for the BASF Group.

**Financial opportunities and risks**

Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of financial instrument trading and back office functions.

We continuously monitor activities in countries with transfer restrictions as a part of risk management. This includes, for example, regular analysis of the macroeconomic and legal environment, shareholders' equity and the business models of the operating units. The chief aim is the management of counterparty, transfer and currency risks for the BASF Group.

**Exchange rate volatility**

Our competitiveness on global markets is influenced by fluctuations in exchange rates. For BASF's sales, opportunities and risks arise in particular when the U.S. dollar exchange rate fluctuates. A full-year appreciation of the U.S. dollar against the euro by \$0.01 would increase the BASF Group's EBIT by around €30 million, assuming other conditions remain the same. On the production side, we counter exchange rate risks by producing in the respective currency zones.

Financial currency risks result from the translation of receivables, liabilities and other monetary items in accordance with IAS 21 at the closing rate into the functional currency of the respective Group company. In addition, we incorporate planned purchase and sales transactions in foreign currencies into our financial foreign currency risk management. If necessary, we hedge these risks using derivative instruments.

**Interest rate risks**

Interest rate risks result from potential changes in prevailing market interest rates. These can cause a change in the fair value of fixed-rate instruments and fluctuations in the interest payments for variable-rate financial instruments, which would positively or negatively affect earnings. To hedge these risks, we use interest rate swaps and combined interest rate and currency derivatives in individual cases.

In addition to market interest rates, BASF's financing costs are determined by the credit risk premiums to be paid. These are mainly influenced by our credit rating and the market conditions at the time of issue. In the short to medium term, BASF is largely protected from the possible effects on its interest result thanks to the balanced maturity profile of its financial indebtedness.

**Risks from metal and raw materials trading**

Some of BASF's divisions are exposed to strong fluctuations in raw materials prices. BASF uses commodity derivatives to hedge these market price risks. In addition, BASF holds limited unhedged precious metal and oil product positions for trading on its own account. The value of these positions is exposed to market price volatility. Adverse changes in market prices negatively affect the earnings and equity of BASF. These risks are continuously monitored by a central risk management system and limited by strict guidelines.

**Liquidity risks**

Risks from fluctuating cash flows are recognized in a timely manner as part of our liquidity planning. We have access to extensive liquidity at any time thanks to our good ratings, our unrestricted access to the commercial paper market and committed bank credit lines.

In the short to medium term, BASF is largely protected against potential refinancing risks by the balanced maturity profile of its financial indebtedness as well as through diversification in various financial markets.

**Risk of asset losses**

We limit country-specific risks with measures based on country ratings, which are continuously updated to reflect changing environment conditions. We selectively use investment guarantees to limit specific country-related risks. We lower credit risks for our financial investments by engaging in transactions only with banks with good credit ratings and by adhering to fixed limits. We continuously monitor creditworthiness and adjust limits accordingly. We reduce the risk of default on receivables by continuously monitoring the creditworthiness and payment behavior of our customers and by setting appropriate credit limits. Risks are also limited through the use of credit insurance and individual hedging strategies, such as guarantees. Due to the global activities and diversified customer structure of the BASF Group, there are no major concentrations of credit default risk.

### Impairment risks

Asset impairment risk arises if the assumed interest rate in an impairment test increases, the predicted cash flows decline, or investment projects are suspended. We currently consider the risk of further impairment for assets such as property, plant and equipment, goodwill, technologies and trademarks to be immaterial. This could change if European gas prices remain at a high level in the longer term.

We are resolutely pursuing our path to climate neutrality. This includes the construction of one of the world's largest heat pumps in Ludwigshafen, Germany, the increased use of green electricity and investments in offshore wind energy. For this reason, current developments and measures relating to sustainability do not lead to fundamentally changed expectations with regard to useful lives or recoverability of our assets.

Climate policies are also causing fundamental changes in the automotive industry, one of BASF's key customer industries. The transition to electromobility will have a long-term negative impact on the emissions catalyst business. This development was accounted for in the adjustment of the growth rate for the goodwill impairment test and did not lead to an impairment. Other BASF businesses will benefit from this transformation; for example, demand for innovative lightweight components and battery materials will grow.

### Long-term incentive program for senior executives

Since 2020, BASF has offered its leaders the opportunity to participate in a long-term incentive program (LTI program) in the form of a performance share plan. The LTI plan incentivizes the achievement of strategic growth, profitability and sustainability targets and takes into account the development of the BASF share price and the dividend. The need for provisions for this program varies according to assumptions on the degree of strategic target achievement, the development of the BASF share price and the dividend. This leads to a corresponding increase or decrease in personnel costs.

Until 2020, BASF offered leaders the opportunity to participate in a share price-based compensation program. The need for provisions for this program varies according to the development of the BASF share price and the MSCI World Chemicals Index; this leads to a corresponding increase or decrease in personnel costs.

### Risks from pension obligations

BASF grants most employees company pension benefits from either defined contribution or defined benefit plans. We predominantly finance company pension obligations externally through separate plan assets. This particularly includes BASF Pensionskasse VVaG and BASF Pensionstreuhand e.V. in Germany, in addition to the large pension plans of our Group companies in North America, the United Kingdom and Switzerland. To address the risk of underfunding due to market-related fluctuations in plan assets, we have investment strategies that align return and risk optimization to the structure of the pension obligations. Stress scenarios are also simulated regularly by means of portfolio analyses. Adjustments to the interest rates used in discounting pension obligations leads immediately to changes in equity. To limit the risks of changing financial market conditions as well as demographic developments, BASF has, for a number of years now, offered its employees almost exclusively defined contribution plans for future years of service. Some of these contribution plans include minimum interest guarantees. If the pension fund cannot generate this, it must be provided by the employer. A sustained low interest rate environment could make it necessary to recognize pension obligations and plan assets for these plans as well.

## Strategic opportunities and risks

### Long-term demand development

We assume that growth in chemical production (excluding pharmaceuticals) will be higher than that of the global gross domestic product over the next five years and about as strong as the five-year average prior to the coronavirus pandemic. Through our market-oriented and broad portfolio, which we will continue to strengthen in the years ahead, for example, through investments in new production capacities, research and development activities or acquisitions, we aim to achieve volume growth that slightly exceeds this market growth. Should global economic growth see unexpected, considerable deceleration, for example, because of prolonged restrictions due to the coronavirus pandemic, an ongoing weak period in the emerging markets, protectionist tendencies, geopolitical conflicts or bottlenecks in the energy markets leading to permanently elevated energy prices (particularly for natural gas in Europe), the expected growth rates could prove too ambitious.

Moreover, the ambitions of global climate policy and its implementation will significantly impact the structure of demand from our customer industries. This is shown by a comparison of a climate policy scenario (global warming of no more than two degrees celsius in 2100 compared with pre-industrial times) with an alternative scenario that allows for more warming. In an ambitious climate policy scenario, the structure of demand changes due to the use of alternative energy sources and raw materials, high investment in resource-conserving technologies, and changing customer preferences. By contrast, macroeconomic growth rates typically vary little compared with a scenario with a higher warming path.

Market opportunities in such a scenario include, for example, additives that make plastics easier to recycle, alternative surface coatings for wind and solar modules, stronger demand for insulation materials for buildings, increased electromobility with changed demand for plastics, insulation materials, coolants and battery materials, and more alternative proteins in agriculture. By contrast,

fossil feedstocks and the production technologies and product segments based on fossil feedstocks will become less important.

 For more information on the corporate strategy, see page 26 onward

### Development of competitive and customer landscape

We expect competitors from Asia, North America and the Middle East in particular to gain increasing significance in the years ahead, especially as a result of advantageous raw materials and energy prices. Furthermore, we predict that many producers in countries rich in raw materials will expand their value chains in consumer-oriented sectors. In addition, the proliferation of large-scale digital marketplaces for chemicals could impact existing customer and supplier relationships.

We expect a continuous rise in customer demand for sustainable solutions, for example, products with a low carbon footprint, made from recycled, circular, or bio-based raw materials that are bio-degradable, or products with other measurable sustainability benefits. However, an increase in customer demand for sustainable solutions is also highly dependent on regulation. Companies with a proven track record of providing more sustainable solutions will be able to achieve higher growth and profitability as a result. The expansion of sharing economy business models could have a long-term impact on demand in individual customer industries. At the same time, higher demands on product features can also create opportunities for innovation. We are therefore addressing these topics in research and investment programs for the sustainable transformation of BASF.

To strengthen our competitiveness, we are continuously improving our production processes, streamlining our administration and simplifying workflows and processes. Our research and business focus is on highly innovative businesses and differentiation through sustainability advantages to make our customers and BASF more successful.

### Regulation/policy

We expect continued regulatory and societal pressure to achieve climate-neutral energy production, climate-neutral energy consumption, and a climate-neutral resource and raw material base. The political approaches to address these issues will vary greatly from region to region. However, particularly in Europe, we expect measures with a continuously high level of detailed regulation, including changes to chemical and industry-related regulations, that have the potential to significantly impact the competitiveness of BASF's operations and product portfolio as well as that of our customers.

We see the risk of the current geopolitical shift in balance of power leading to the establishment of uncoordinated or divergent global legislative standards and regulatory systems, not just in relation to chemicals or the regulatory framework for digitalization, but also to environmental, social and corporate governance criteria. We also see risks, but also opportunities, in the setting of international standards for specific product categories or technologies.

We explain our strategy in meetings with political decision-makers and social stakeholders. In doing so, we also inform ourselves of the changes we must undergo and advocate for a favorable and stable regulatory framework at both the national and international levels. We consider BASF to be in a strong position to contribute solutions toward achieving U.N. development goals, particularly regarding climate neutrality, through new technologies, innovative products and processes and our broad product portfolio.

### Innovation

We expect the trend toward increased sustainability requirements in our customer industries to continue. Our aim is to leverage the resulting opportunities in a growing market with even more sustainable innovations. The key areas are products with a lower carbon footprint or even a carbon footprint of net zero, circular economy solutions, and safe and sustainable products. To be successful in these fields, we have launched specific research and investment

programs for the sustainable transformation of BASF. Furthermore, in order to steer our innovation portfolio toward increased sustainability, we began applying the Sustainable Solution Steering method to the evaluation of innovation projects and integrated it at an early stage of our research and development processes.

There are technical and commercial risks of failure associated with every single research and development project. We also address this by maintaining a balanced and comprehensive project portfolio as well as through professional, milestone-based project management.

Further risks may arise from increasing state protectionism and the demand for localization of intellectual property in order to achieve technological independence. Through our Know-how Verbund in research and development, we ensure that critical intellectual property is generated and protected in countries with high intellectual property standards.

We expect that the digital disruption of established processes will lead to a sharp increase in efficiency and effectiveness in some fields. BASF is therefore committed to taking a leading role in the digital transformation of the chemical industry. Possible applications of digital technologies and solutions are evaluated along the entire value chain and implemented throughout the company, for example, in production, logistics, research and development, business models and corporate governance.

 For more information on innovation, see page 49 onward

### Procurement and supply chain

Supply security for raw materials, energy and services is increasingly affected by trade disputes, protectionism, sanctions and geopolitical conflict. As far as the current energy price level in Europe is concerned, we expect the supply situation to ease in the mid- to long term. Furthermore, our accelerated transformation toward renewable energy will make the company less dependent on fossil energy sources. In addition, supply chains are increasingly threatened by disruptions such as suppliers' production bottlenecks, interrupted logistics chains, extreme weather events and longer-lasting effects from the coronavirus pandemic. Climate change and extreme weather events are impacting the availability of renewable resources.

Transportation is significantly affected by structural capacity constraints (for example, a lack of truck drivers, traffic jams due to inadequate logistics infrastructure, worker shortages at ports) and increased transportation costs.

We are seeing an ongoing expansion of the regulatory framework affecting us and our suppliers (for example, the German Supply Chain Due Diligence Act). Potential non-compliance by our suppliers may lead to a reduced supplier base. Moreover, the use of renewable energies depends largely on favorable prices and framework conditions.

All risks are continuously analyzed and appropriate strategies and measures developed to avert risks or minimize the impact on BASF.

### Investments/production/infrastructure

We expect growth in chemical production in emerging markets to remain above the global average in the years to come. This will create opportunities that we want to exploit by expanding our local presence. In addition, regional value chains help mitigate risks from trade conflicts and barriers that pose a challenge to global markets and supply chains.

Decisions on the type, scope and location of our investment projects are made on the basis of established comprehensive assessment processes. They take into account long-term forecasts for the market, margin and cost development, and raw materials availability, as well as country, currency, sustainability and technology risks. Opportunities and risks arise from potential deviations in actual developments from our assumptions. Mitigation plans are in place where risks are substantial.

Investments in more sustainable technologies represent a long-term opportunity, even though they may not be competitive or profitable in the short term, depending on the market and the prevailing regulatory framework.

To assess the changing risks for our sites from climate change, climate data based on the latest scenarios of the Intergovernmental Panel on Climate Change (IPCC) were compiled for our sites in cooperation with an external partner. This enables the sites to assess the potential impact of climate change in the coming decades. Here, we focus on a climate protection scenario, supplemented by two scenarios with medium and high levels of global warming.<sup>1</sup> The most common potential impact is an increase in heat and drought. The sites are supported by this information in the development of their strategies.

The availability of our production plants and infrastructure can be negatively affected by system downtime, confidentiality breaches or manipulation of data in critical IT systems and applications. The threat environment has changed in recent years, as attackers have become better organized, use more sophisticated technology and have far more resources available.

[For more information on our investment projects, see page 156](#)

### Acquisitions/divestitures/cooperations

In the future, we will continue to expand and refine our portfolio through smaller, bolt-on acquisitions that promise above-average profitable growth, are innovation-driven or offer a technological differentiation and help achieve a relevant market position, and make new, sustainable business models possible.

The evaluation of opportunities and risks plays a significant role during the assessment of acquisition targets. A detailed analysis and quantification is conducted as part of due diligence. Examples of risks include increased staff turnover, delayed realization of synergies, or the assumption of obligations that were not precisely quantifiable in advance. If our expectations in this regard are not met, risks could arise, such as a need for impairment. Opportunities could also arise, for example, from additional synergies. Furthermore, business carve-outs and divestitures play a key role in the development and optimization of our portfolio. In this context, risks could arise as a result of potential warranty claims or other contractual obligations, such as long-term supply agreements.

[For more information on our acquisitions and divestitures, see page 40](#)

### Personnel

BASF anticipates growing challenges in attracting qualified employees in the medium and long term due to demographic change, especially in North America and Europe. As a result, there is an increased risk that job vacancies may not be filled or only after a delay. We address these risks with measures to integrate diversity, employee and leadership development, and intensified employer branding. At local level, demographic management includes succession planning, knowledge management and offerings to improve the balance between personal and professional life, and promote healthy living. This increases BASF's appeal as an employer and retains our employees in the long term.

[For more information on individual initiatives and our targets, see page 101 onward](#)

<sup>1</sup> The assessment model was based on the IPCC climate change scenario SSP1-2.6, supplemented by SSP2-4.5 (medium global warming scenario) and SSP5-8.5 (high global warming scenario).

## Sustainability

The positive contributions and negative impacts of our business activities on sustainability topics along the value chain, and the impact of sustainability topics on our business were assessed in a new materiality analysis carried out in 2022. Opportunities and risks for our business activities that could arise from material sustainability topics, or for sustainability topics that could arise from our business activities, can only rarely be measured in specific financial terms and mainly have a medium to long-term impact. We are already seizing business opportunities, for example, through products with specific sustainability attributes (such as raw materials based on biomass or recycled content) or intensified customer relations based on common sustainability ambitions. Relevant sustainability topics are systematically integrated into our strategic risk management.

We reduce potential risks in the areas of environmental protection, safety and security, health protection, product stewardship, compliance, supplier relationships and human rights (including labor, social and quality standards) by setting ourselves globally uniform requirements. These sometimes go beyond local legal requirements. Our globally applicable Code of Conduct defines a binding framework for the activities of all BASF employees, leaders and members of the Board of Executive Directors. To ensure compliance with our internal and external standards, we have global management systems in place and monitor their implementation internally by means such as global surveys and audits. These also cover human rights topics in line with statutory regulations such as the German Supply Chain Due Diligence Act. Our measures are regularly reviewed and adapted as necessary to ensure the protection of human rights in our value chains and consequently, the continuity of our business relationships.

Expectations of suppliers are laid down in our global Supplier Code of Conduct. We have suppliers with a high potential sustainability risk evaluated by third parties, either through sustainability evaluations or on-site audits. The monitoring systems are complemented by grievance mechanisms that are open to all stakeholders, such as our compliance hotlines.

Ongoing climate change also poses opportunities and risks for BASF. As an energy-intensive company, climate-related risks arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation. In addition, BASF's emissions footprint and intensity could lead to a negative perception and reduced appeal among external stakeholders such as customers or investors. We counter these risks with our carbon management measures and by transparently disclosing our positions on and contributions to climate protection, for example, in the form of political demands or through progress in the implementation of our climate strategy, in publicly accessible sources such as this annual report or on the BASF website, and in direct dialog with external stakeholders.

In addition to climate-related risks, there are also opportunities. Our broad product portfolio includes solutions for the circular economy and climate protection (such as insulation foams for buildings, materials for electromobility and bio-based products). Increased social awareness offers additional market opportunities for these products. We are working with numerous scientific and public organizations and initiatives on solutions for sustainable agriculture that meet economic, environmental and social demands over the long term.

Our decentralized specialists use a central decision tree to document reportable sustainability risks within the meaning of section 289b et seq. of the German Commercial Code. No reportable residual net risks within the meaning of section 289b et seq. of the German Commercial Code were identified for 2022.

 For more information on sustainability management, see page 45 onward

For more information on energy and climate protection, see page 135 onward

For more information on opportunities and risks from energy policies, see page 161

 For more information on our positions on and contributions to climate protection, see [basf.com/climateprotection](https://www.basf.com/climateprotection)

# 3

# Corporate Governance

Contents  
To Our Shareholders  
Management's Report  
**Corporate Governance**  
Consolidated Financial Statements  
Overviews

---

<b>Corporate Governance Report</b> .....	<b>169</b>
<b>Compliance</b> .....	<b>179</b>
<b>Management and Supervisory Boards</b> .....	<b>182</b>
Board of Executive Directors .....	182
Supervisory Board .....	183
<b>Report of the Supervisory Board</b> .....	<b>186</b>
<b>Declaration of Conformity Pursuant to Section 161 AktG</b> .....	<b>193</b>
<b>Declaration of Corporate Governance</b> .....	<b>194</b>



# Corporate Governance Report

GRI 2, 3, 405

**Corporate governance refers to the entire system for managing and supervising a company. This includes its organization, values, corporate principles and guidelines as well as internal and external control and monitoring mechanisms. Effective and transparent corporate governance ensures that BASF is managed and supervised responsibly with a focus on value creation and sustainability. It fosters the confidence of our investors, the financial markets, our customers and other business partners, employees, other groups affiliated with our company (stakeholders) as well as the public in BASF.**

The fundamental elements of BASF SE's corporate governance system are: its two-tier management system, with a transparent and effective separation of company management and supervision between BASF's Board of Executive Directors and the Supervisory Board; the equal representation of shareholders and employee representatives on the Supervisory Board; and the shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting.

## Board of Executive Directors

### At a glance

- Responsible for company management and represents BASF SE in business with third parties
- Sets goals and strategic direction
- Strictly separate from the Supervisory Board

### Direction and management by the Board of Executive Directors

The Board of Executive Directors is responsible for managing the company and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board, which monitors the Board of Executive Directors' activities and decides on its composition. A member of the Board of Executive Directors cannot simultaneously

be a member of the Supervisory Board. As the central duty of company management, the Board of Executive Directors defines the corporate goals and strategic direction of the BASF Group as well as its individual business areas, including the sustainability strategy. In doing so, the Board ensures that the risks and opportunities associated with social and environmental factors for our company as well as the ecological and societal impacts of BASF's activities are systematically identified and evaluated. In addition to long-term economic goals, the corporate strategy appropriately takes environmental and social objectives into account, too. The corporate planning defined on this basis comprises financial and sustainability-related goals.

Furthermore, the Board of Executive Directors determines the company's internal organization and decides on the composition of management positions on the levels below the Board. It also manages and monitors BASF Group business by planning and setting the corporate budget, allocating resources and management capacities, monitoring and making decisions on significant individual measures, and supervising operational management.

The Board's actions and decisions are geared toward the company's best interests. It is committed to the goal of sustainably increasing the company's value and developing the company over the long term, taking into account environmental and social goals as well as economic targets. The Board's responsibilities include the preparation of the Consolidated and Separate Financial Statements of BASF SE and reporting on the company's financial and nonfinancial performance as well as half-year and quarterly reporting. It must

also ensure that the company's activities comply with the applicable legislation and regulatory requirements, as well as internal corporate directives (compliance). This includes the establishment of appropriate systems for control, compliance and risk management as well as embedding a company-wide compliance culture with undisputed standards.



Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made and all important matters of the company are discussed at regularly held Board meetings called by the chair of the Board of Executive Directors. Board decisions are based on detailed information and analyses provided by the business areas and specialist units, and, if deemed necessary, by external consultants. The chair of the Board of Executive Directors leads the Board meetings. Board decisions can generally be made via a simple majority. In the case of a tied vote, the chair of the Board of Executive Directors gives the casting vote. However, the chair of the Board of Executive Directors cannot enforce a decision against the Board of Executive Directors' majority vote. The chair of the Board also does not have the right to veto. Outside of matters that are assigned to the entire Board for consultation and decision-making, all members of the Board of Executive Directors are authorized to make decisions individually in their designated areas of responsibility.

The Board of Executive Directors can set up Board committees to consult and decide on individual issues such as proposed material acquisition or divestiture projects or to prepare decisions to be

made by the entire Board. These must include at least three members of the Board of Executive Directors. For the preparation of important decisions, such as those on acquisitions, divestitures, investments and personnel, the Board has various commissions at the level below the Board. Independently of the affected business area, these committees thoroughly assess the planned measures and evaluate the associated opportunities and risks. Based on this information, they report and make recommendations to the Board.

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company's strategic orientation with the Supervisory Board.

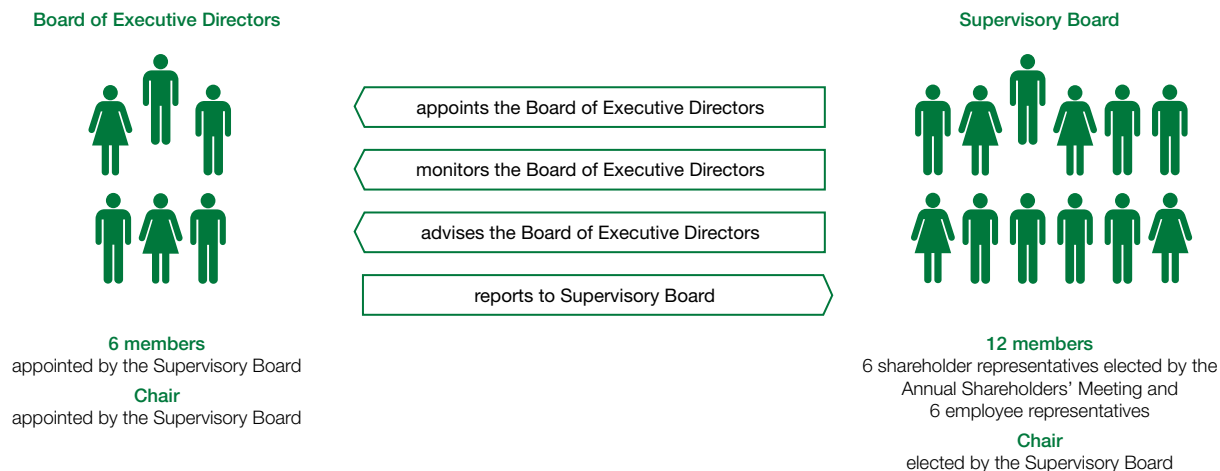
The Statutes of BASF SE and the Supervisory Board have defined certain transactions that require the Board of Executive Directors to obtain the Supervisory Board's approval prior to their conclusion. Such cases that require approval include the acquisition and disposal of enterprises and parts of enterprises, as well as the issue of bonds or comparable financial instruments. However, this is only necessary if the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the most recent approved Consolidated Financial Statements of the BASF Group.

 For more information on risk management, see the Forecast report from page 157 onward  
 The members of the Board of Executive Directors, including their areas of responsibility and memberships in the supervisory bodies of other companies, are listed from page 182 onward.  
 For more information on the compensation of the Board of Executive Directors, see [basf.com/compensationreport](https://www.basf.com/compensationreport)

**Competence profile, diversity concept and succession planning for the Board of Executive Directors**

The Supervisory Board works hand in hand with the Board of Executive Directors to ensure long-term succession planning for the composition of the Board of Executive Directors. BASF aims to fill

**BASF SE's two-tier management system**



most Board positions with leaders from within the company. It is the task of the Board of Executive Directors to propose a sufficient number of suitable individuals to the Supervisory Board.

BASF's long-term succession planning is guided by the corporate strategy. It is based on systematic management development characterized by the following:

- Early identification of suitable leaders of different professional backgrounds, nationalities and genders
- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions
- Desire to shape strategic and operational decisions and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting corporate values into practice

The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional

experience, cultural background, international representation, gender and age when appointing members of the Board of Executive Directors. Irrespective of these individual criteria, a holistic approach will ultimately determine a person's suitability for appointment to the Board of Executive Directors of BASF SE. Both systematic succession planning and the selection process aim to ensure that the Board of Executive Directors as a whole has the following profile, which serves as a diversity concept:

- Many years of leadership experience in scientific, technical and commercial fields
- International experience based on background and/or professional experience
- At least one female Board member
- A balanced age distribution to ensure the continuity of the Board's work and enable seamless succession planning

The first appointment of members of the Board of Executive Directors is for a term of no more than three years. The standard age limit for members of the Board of Executive Directors is 63. The

Supervisory Board determines the number of members on the Board of Executive Directors. It is guided by insights gained by BASF as a company with an integrated leadership culture and is determined by the needs arising from cooperation within the Board of Executive Directors. The Supervisory Board considers six to be an appropriate number of Board members given the current business composition, future responsibilities associated with development and the fundamental organizational structure of the BASF Group.

The current composition of the Board of Executive Directors meets the competence profile and the requirements of the diversity concept in full.

## Supervisory Board

### At a glance

- Appoints, monitors and advises Board of Executive Directors
- Four Supervisory Board committees
- Composition criteria: professional and personal qualifications, diversity, and independence

### Supervision of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board of Executive Directors on management issues. It must also be involved in making decisions that are of key importance for the company. This also includes the Board of Executive Directors' consideration of sustainability issues with regard to corporate governance. The Supervisory Board is also responsible for auditing BASF SE's and the Group's Annual Financial Statements. As members of the Supervisory Board may not simultaneously be on the Board of

Executive Directors, a high level of autonomy is already structurally ensured with regard to the supervision of the Board of Executive Directors.


In addition to the SE Regulation, the relevant legal basis for the size and composition of the Supervisory Board is provided by the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement). The latter also includes the regulations applicable to BASF for implementing the statutory gender quota for the Supervisory Board. The German Codetermination Act does not apply to BASF SE as a European stock corporation (Societas Europaea, SE).


The Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Shareholders' Meeting via a simple majority. Six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group. In accordance with the resolution of the Annual Shareholders' Meeting on June 18, 2020, the period of appointment for newly elected members of the Supervisory Board was reduced from five to four years; and the Statutes were amended accordingly. This ensures that the maximum membership duration of 12 years up to which a Supervisory Board member can be classified as independent corresponds to a total of three election terms in accordance with the German Corporate Governance Code.

Meetings of the Supervisory Board and its four committees are called by their respective chairs and independently, at the request of one of their members or the Board of Executive Directors. The shareholder and employee representatives of the Supervisory Board prepare for Supervisory Board meetings in separate preliminary discussions in each case. Resolutions of the Supervisory Board are passed by a simple majority vote of the participating Supervisory Board members. In the event of a tie, the vote of the chair of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable

for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board. Resolutions can, as needed, also be made in writing or through electronic communication outside of the meetings, as long as no Supervisory Board member objects to this form of passing a resolution. The Supervisory Board meets regularly even without the Board of Executive Directors.

The Board of Executive Directors regularly informs the Supervisory Board about matters such as the course of business and expected developments, the financial position and results of operations, corporate planning, the implementation of the corporate strategy, including the sustainability strategy, business opportunities and risks, as well as risk and compliance management. The Supervisory Board has embedded the main reporting requirements in an information policy. The chair of the Supervisory Board is in regular contact with the Board of Executive Directors, especially with its chair, outside of meetings as well.

 A list of the members of BASF SE's Supervisory Board indicating which members are shareholder or employee representatives and their appointments to the supervisory bodies of other companies can be found from page 183 onward.

 Compensation of the Supervisory Board is described in the Compensation Report at [basf.com/compensationreport](https://basf.com/compensationreport)

The Statutes of BASF SE and the Employee Participation Agreement can be found at [basf.com/statutes](https://basf.com/statutes) and [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### Personnel Committee

#### Members

Dr. Kurt Bock\* (chair)  
 Prof. Dr. Stefan Asenkerschbaumer\* (since April 29, 2022)  
 Franz Fehrenbach (until April 29, 2022)  
 Sinischa Horvat\*  
 Michael Vassiliadis

#### Duties

– Prepares the appointment of members to the Board of Executive Directors by the Supervisory Board as well as the service contracts

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

- to be entered into with members of the Board of Executive Directors
- When making recommendations for appointments to the Board of Executive Directors, considers professional qualifications, international experience and leadership skills as well as long-term succession planning, diversity, and especially the appropriate consideration of women
- Prepares the resolutions made by the Supervisory Board with regard to the system and amount of compensation

## Audit Committee

### Members

Dame Alison Carnwath DBE\* (chair)  
 Tatjana Diether\*  
 Alessandra Genco\* (since April 29, 2022)  
 Anke Schäferkordt\* (until April 29, 2022)  
 Michael Vassiliadis

### Duties

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports, including the Nonfinancial Statements and sustainability reporting, and discusses the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication
- Deals with monitoring the accounting process, the annual audit, including sustainability reporting and its audit, the appropriateness and effectiveness of the internal control system, the risk management system, the internal auditing system and compliance management system as well as compliance issues
- Is responsible for business relations with the company's auditor: prepares the Supervisory Board's proposal to the Annual Shareholders' Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the focus areas of the audit

together with the auditor, discusses the audit risk, audit strategy and audit plan with the auditor, negotiates auditing fees, evaluates the quality of the annual audit, and establishes the conditions for the provision of the auditor's nonaudit services; the chair of the Audit Committee regularly discusses this with the auditor outside of meetings as well and reports to the Committee on such discussions; the Audit Committee regularly consults with the auditor, even without the Chief Financial Officer or another member of the Board of Executive Directors.

- Deals with follow-up assessments of key acquisition and investment projects
- Is responsible for monitoring the internal process of identifying related party transactions and ensuring adherence to statutory approval and disclosure requirements; grants approval of related party transactions
- Is authorized to request any information that it deems necessary from the auditor or from the Board of Executive Directors and has a direct right to information from the heads of central departments such as Corporate Audit or Compliance; can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections.

### Special expertise in the areas of the annual audit and accounting

The Audit Committee is comprised of two members with special knowledge and experience within the meaning of the German Corporate Governance Code (special expertise) in the areas of accounting and the annual audit. The chair of the Audit Committee, Dame Alison Carnwath DBE, has special expertise in the field of auditing, including sustainability reporting, and accounting expertise due to her studies in economics, her professional activities as an auditor and many years of work on audit committees of publicly listed and non-listed companies. Alessandra Genco, who has been a member of the Audit Committee since April 29, 2022, has deep expertise in accounting, including sustainability reporting, due to her studies in economics, her professional experience working for

financial institutions and her current role as chief financial officer of a publicly listed international company. Both closely monitor current developments in the sustainability reporting and auditing sector and actively contribute this expertise to the Supervisory Board and Audit Committee.

## Nomination Committee

### Members

Dr. Kurt Bock\* (chair)  
 Prof. Dr. Stefan Asenkerschbaumer\* (since April 29, 2022)  
 Prof. Dr. Thomas Carell\*  
 Dame Alison Carnwath DBE\*  
 Liming Chen\*  
 Franz Fehrenbach (until April 29, 2022)  
 Alessandra Genco\* (since April 29, 2022)  
 Anke Schäferkordt\* (until April 29, 2022)

### Duties

- Identifies suitable individuals for the Supervisory Board based on objectives for the composition decided on by the Supervisory Board
- Prepares the recommendations made by the Supervisory Board for the election of Supervisory Board members representing the shareholders by the Annual Shareholders' Meeting

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

## Strategy Committee

### Members

Dr. Kurt Bock\* (chair)  
 Prof. Dr. Stefan Asenkerschbaumer\* (since April 29, 2022)  
 Dame Alison Carnwath DBE\*  
 Tatjana Diether\* (since April 29, 2022)  
 Franz Fehrenbach (until April 29, 2022)  
 Waldemar Helber\* (until April 29, 2022)  
 Sinischa Horvat\*  
 Michael Vassiliadis

### Duties

- Handles the further development of the company's strategy
- Prepares resolutions of the Supervisory Board on the company's major acquisitions and divestitures


The Supervisory Board has not established a separate Sustainability Committee. The sustainability topic is of such pivotal importance to BASF with its economic success, environment and social-related aspects that the entire Supervisory Board regularly discusses it in detail as a cross-cutting issue. This also applies to the significant issue of reducing CO<sub>2</sub> emissions and the targeted conversion of business activities to CO<sub>2</sub>-free energy supply and production processes with a lower emission rate.

## Meetings and meeting attendance

In the 2022 business year, meetings were held as follows:

- The Supervisory Board met five times.
- The Personnel Committee met four times.
- The Audit Committee met five times.
- The Nomination Committee did not meet.
- The Strategy Committee did not meet.

All members attended all meetings of the Supervisory Board. The meetings of the Supervisory Board committees were also attended by all respective committee members. During the 2022 business year, the meetings of the Supervisory Board and its committees were held almost entirely as in-person meetings in compliance with appropriate safety measures with the additional option of virtual attendance via electronic communication. Only the Audit Committee held two of its five meetings as completely virtual meetings.

 For more information on the Supervisory Board's activities and resolutions in the 2022 business year, see the Report of the Supervisory Board from page 186 onward

 For an overview of meeting attendance, see [basf.com/supervisoryboard/meetings](https://basf.com/supervisoryboard/meetings)

The Rules of Procedure for the Supervisory Board and its committees can be found at [basf.com/supervisoryboard](https://basf.com/supervisoryboard)

## Competence profile, diversity concept and objectives for the composition of the Supervisory Board

One important concern of good corporate governance is to ensure that seats on the responsible corporate bodies, the Board of Executive Directors and the Supervisory Board, are appropriately filled. In December 2017, the Supervisory Board agreed for the first time on objectives for the composition, the competence profile and the diversity concept of the Supervisory Board. These objectives and the competence profile have since been continuously updated in the implementation of legal requirements and further developed, taking into account the recommendations of the German Corporate Governance Code. The guiding principle for the composition of the Supervisory Board is to ensure qualified supervision and guidance for the Board of Executive Directors of BASF SE. For the election of shareholder representatives to the Supervisory Board, individuals shall be nominated to the Annual Shareholders' Meeting who can, based on their professional knowledge and experience, integrity, commitment, independence and character, successfully perform the work of a supervisory board member at an international chemical company.

## Competence profile

The following requirements and objectives (as amended in December 2022) are considered essential to the composition of the Supervisory Board as a collective body:

- Leadership experience in managing companies, associations and networks
- Members' collective knowledge of the chemical sector and the related value chains
- Appropriate knowledge within the body as a whole of finance, accounting, financial reporting, risk management, law and compliance
- Appropriate expertise within the body as a whole on sustainability issues that are of key importance for BASF
- At least one member with special knowledge and experience (special expertise) in accounting, including sustainability reporting
- At least one member with special knowledge and experience (special expertise) in the annual audit, including the audit of sustainability reporting
- At least one member with in-depth experience in innovation, research & development and technology
- At least one member with in-depth experience in the areas of digitalization, information technology, business models and start-ups
- At least one member with in-depth experience in the areas of human resources, society, communications and the media
- Specialist knowledge and experience in sectors outside of the chemical industry

The status of implementation of the Supervisory Board's competence profile is shown in the following qualifications matrix on page 174.

 For more information on the Supervisory Board's competence profile, see [basf.com/competence-profile/supervisoryboard](https://basf.com/competence-profile/supervisoryboard)

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

**The Supervisory Board's competence profile**

	Leadership experience in managing companies, associations and networks	Chemical sector and related value chains	Finance, accounting, financial reporting, risk management, law and compliance	Sustainability topics	Accounting and auditing, including sustainability reporting	Innovation, research & development and technology	Digitalization, IT, business models and start-ups	Human resources, society, communications and the media	Economic sectors other than the chemical industry
Dr. Kurt Bock	■	■	■	■	■		■	■	■
Prof. Dr. Stefan Asenkerschbaumer	■	■	■	■	■		■	■	■
Prof. Dr. Thomas Carell		■		■		■	■	■	■
Dame Alison Carnwath DBE	■	■	■	■	■ <sup>a</sup>		■	■	■
Liming Chen	■	■		■		■	■	■	■
Alessandra Genco	■		■	■	■ <sup>b</sup>	■	■		■
Sinischa Horvat	■	■				■	■	■	
Tatjana Diether	■	■			■	■		■	
André Matta	■	■					■	■	
Natalie Mühlenfeld	■	■	■					■	■
Michael Vassiliadis	■	■	■	■	■		■	■	■
Peter Zaman		■						■	

<sup>a</sup> Member with special knowledge of and experience in auditing, including sustainability auditing  
<sup>b</sup> Member with special knowledge of and experience in accounting and reporting, including sustainability reporting

**Diversity concept**

The Supervisory Board strives to achieve a reasonable level of diversity with respect to character, gender, international representation, professional background, specialist knowledge and experience as well as age distribution. It takes the following composition criteria into account:

- At least 30% women and 30% men
- At least 30% of members have international experience based on their background or professional experience
- At least 50% of members have different educational backgrounds and professional experience
- At least 30% under the age of 60

**Further composition objectives**

- **Character and integrity:** Members of the Supervisory Board must be personally reliable and have the knowledge and

experience required to diligently and independently perform the work of a supervisory board member.

- **Availability:** Each member of the Supervisory Board ensures that they invest the time needed to properly perform their role as a member of the Supervisory Board of BASF SE. The statutory limits on appointments and the recommendations of the German Corporate Governance Code must be complied with when accepting further appointments.
- **Age limit and period of membership:** Persons who have reached the age of 72 on the day of election by the Annual Shareholders' Meeting should generally not be nominated for election. Membership on the Supervisory Board should generally not exceed three regular statutory periods in office, which corresponds to 12 years.


- **Independence:** To ensure the independent monitoring and consultation of the Board of Executive Directors, the Supervisory Board should have an appropriate number of independent members on the board as a whole and an appropriate number of independent shareholder representatives. The Supervisory Board deems this to be the case if more than half of the shareholder representatives and at least eight members of the Supervisory Board as a whole can be considered independent. The Supervisory Board's assessment of independence is based on the assessment criteria in the current respective version of the German Corporate Governance Code. Among other things, this means that members of the Supervisory Board are no longer considered independent if they have been a member of the board for 12 years or longer. The Supervisory Board has additionally defined the following principles to clarify the meaning of independence: The independence of employee representatives is not compromised by their role as an employee representative or employment by BASF SE or a Group company. Prior membership

of the Board of Executive Directors of BASF SE does not preclude independence following the expiry of the statutory cooling-off period of two years. Material transactions between a Supervisory Board member or a related party or undertaking of the Supervisory Board member on the one hand, and BASF SE or a BASF Group company on the other, exclude a member of the Supervisory Board from being qualified as independent. A material transaction is defined as one or more transactions in a single calendar year with a total volume of 1% or more of the sales of the companies involved in each case. In the same way, if a Supervisory Board member or a related party or undertaking of a Supervisory Board member has a personal service or consulting agreement with BASF SE or one of its Group companies with an annual compensation of over 50% of the Supervisory Board compensation, they do not qualify as independent. Furthermore, if a Supervisory Board member or a related party of a Supervisory Board member holds more than 20% of the shares in a company in which BASF SE is indirectly or directly the majority shareholder, the necessary independence is also not met.

**Status of implementation**

According to the Supervisory Board’s own assessment, its current composition meets all of the requirements of the competence profile: 11 of the 12 current members, of which six are shareholder representatives and five are employee representatives, are considered independent based on the above criteria.

Only the employee representative Michael Vassiliadis is no longer considered independent as he has been a member of the Supervisory Board since August 2004, and therefore for over 12 years.

 For more information on the statutory minimum quotas for the number of women and men on the Supervisory Board, see the section on this page “Commitments to promote the participation of women in leadership positions at BASF SE”

The independent Supervisory Board members are named under Management and Supervisory Boards from page 183 onward.

**Compensation of the Board of Executive Directors and the Supervisory Board**

The Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) and the assurance statement of the substantive and formal audit issued by the auditor, the effective compensation system for the Board of Executive Directors in accordance with section 87a AktG, as well as the most recent resolution of the Annual Shareholders’ Meeting on the compensation of the Supervisory Board in accordance with section 113(3) AktG have been made publicly available on the BASF website at [basf.com/compensationreport](https://www.basf.com/compensationreport).

**Commitments to promote the participation of women in leadership positions at BASF SE**


The supervisory board of a publicly listed European stock corporation (SE) that is composed of the same number of shareholder and employee representatives must, according to section 17(2) of the SE Implementation Act, consist of at least 30% women and 30% men. Since the 2018 Annual Shareholders’ Meeting, the Supervisory Board of BASF SE comprises four women, of whom two are shareholder representatives and two are employee representatives, and eight men. The Supervisory Board’s composition meets the statutory requirements.

Following the entry into force of the Act to Supplement and Amend the Regulations on Equal Participation of Women and Men in Management Positions in the Private and Public Sector (FüPoG) on August 12, 2021, if the management board of a listed company consists of more than three persons, at least one woman and one man must be members of the management board (section 76 (3a) AktG). BASF met this requirement in the reporting year. There have been two female Board members since the appointment of Dr. Melanie Maas-Brunner to the Board of Executive Directors, effective as of February 1, 2021. With six members of the Board of Executive Directors, this corresponds to a 33.3 percentage of women.

In compliance with legal requirements of the FüPoG, the Board of Executive Directors decided on target figures for the proportion of women at the two management levels below the Board of Executive Directors of BASF SE. For the target-attainment period from January 1, 2022, to December 31, 2026, the Board of Executive Directors resolved as targets the quotas achieved as of December 31, 2021: 20.0% for the proportion of women in the management level directly below the Board and 23.2% for the level below that.

BASF views the further development and promotion of women as a global duty independent of individual Group companies. For this purpose, it has committed to ambitious targets on a worldwide scale. The new target is to increase the proportion of women in leadership positions worldwide to 30% by 2030. BASF will continue to work systematically on expanding the percentage of women in its leadership team. To achieve this, global measures will be implemented and enhanced continuously.

 For more information on the percentage of women in leadership positions in the BASF Group worldwide, as well as the inclusion of diversity, including the promotion of women, see the section in the Management’s Report under Employees on page 107 onward

 The Employee Participation Agreement relevant to the composition of the Supervisory Board in the version dated November 2015 is available at [basf.com/en/corporategovernance](https://www.basf.com/en/corporategovernance)

**Shareholders’ rights**

**At a glance**

- Shareholders exercise rights of co-administration and supervision at the Annual Shareholders’ Meeting
- One share, one vote

Shareholders exercise their rights of co-administration and supervision at the Annual Shareholders’ Meeting, which usually takes place within the first five months of the business year. The Annual Shareholders’ Meeting elects half of the members of the Supervisory Board (shareholder representatives) and, in particular, resolves on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the

authorization of share buybacks, changes to the Statutes and the selection of the auditor.

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the beginning of the voting process during the Annual Shareholders' Meeting. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders entered in the share register are entitled to participate in the Annual Shareholders' Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as this is necessary to make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Annual Shareholders' Meeting and to contest resolutions of the Meeting and have them evaluated for their lawfulness in court. Shareholders who hold at least €500,000 of the company's share capital, a quota corresponding to 390,625 shares, are furthermore entitled to request that additional items be added to the agenda of the Annual Shareholders' Meeting.

Given the particular circumstances of the COVID-19 pandemic, the 2022 Annual Shareholders' Meeting was again held as a virtual event without the physical presence of shareholders in accordance

with the specific legal framework of the statutory provisions on the holding of a virtual Annual Shareholders' Meeting pursuant to Article 2 Section 1(1) and (2) of the COVID-19 Act in the version amended by the Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht ["Act to further shorten the residual debt discharge process and to adapt pandemic-related provisions in corporate, cooperative, association and foundation legislation as well as in tenancy and lease legislation"] of December 22, 2020. To ensure legally compliant execution of this special Annual Shareholders' Meeting format, whereby shareholders participated solely via electronic communication, some of the aforementioned shareholder rights and options for action were limited or handled in an exceptional manner at this virtual meeting. In contrast, the 2023 Annual Shareholders' Meeting is planned to be held again as an in-person meeting, i.e., with the shareholders physically present at the meeting venue.

### Implementation of the German Corporate Governance Code (GCGC)

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company. BASF SE follows all of the recommendations of the German Corporate Governance Code in the version dated April 28, 2022 (Code 2022), the version in force at the time of submitting the Declaration of Conformity on December 15, 2022. Until then, BASF has complied with all recommendations of the German Corporate Governance Code in the version dated December 16, 2019 (Code 2020). In the same manner, BASF follows all of the nonobligatory suggestions of the German Corporate Governance Code.

 The joint Declaration of Conformity 2022 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page **193**

 For more information on the Declaration of Conformity 2022, the implementation of the Code's suggestions and the German Corporate Governance Code, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### Disclosures according to section 315a of the German Commercial Code (HGB) and explanatory report of the Board of Executive Directors according to section 176(1) sentence 1 of the German Stock Corporation Act (AktG)

#### Share capital and shares

As of December 31, 2022, BASF SE's subscribed capital was €1,144,134,309.12 after the redemption of 24,623,765 repurchased own company shares in December 2022 (December 31, 2021: €1,175,652,728.23), divided into 893,854,929 registered shares with no par value (December 31, 2021: 918,478,694). Each share entitles the holder to one vote at the Annual Shareholders' Meeting. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates (issuance of share certificates). There are neither different classes of shares nor shares with preferential voting rights.

#### Appointment and dismissal of members of the Board of Executive Directors

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, section 16 of the SE Implementation Act and sections 84 and 85 AktG as well as Article 7 of the Statutes of BASF SE. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chair, as well as one or more vice chairs. The members of the Board of Executive Directors are appointed for a maximum of five years. The maximum initial term of appointment is three years. Reappointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence by the Annual Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.



### **Amendments to the Statutes**

According to Article 59(1) of the SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Shareholders' Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, section 179(2) of the German Stock Corporation Act requires a majority of at least three-quarters of the subscribed capital represented. Pursuant to Article 12(6) of the Statutes of BASF SE, the Supervisory Board is authorized to resolve on amendments to the Statutes that merely concern their wording. This applies in particular to the adjustment of the share capital and the number of shares after the redemption of repurchased BASF shares and after an issue of shares from authorized capital.

### **Authorized capital**

By way of a resolution of the Annual Shareholders' Meeting on May 3, 2019, the Board of Executive Directors is authorized, with the consent of the Supervisory Board, to increase, until May 2, 2024, on a one-off basis or in portions on a number of occasions, the company's share capital by a total of up to €470 million by issuing new shares against contributions in cash or in kind (authorized capital). A right to subscribe to the new shares shall be granted to shareholders. This can also be achieved by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory subscription right of shareholders to a maximum amount of a total of 10% of share capital in certain exceptional cases that are defined in Article 5(8) of the BASF SE Statutes. This applies in particular if, for capital increases in return for cash contributions, the issue price of the new shares is not substantially lower than the stock market price of BASF shares and the total number of shares issued under this authorization does not exceed 10% of the shares currently in issue or, in eligible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

### **Conditional capital**

By way of a resolution of the Annual Shareholders' Meeting on April 29, 2022, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new shares. The contingent capital increase serves to grant shares to the holders of convertible bonds or warrants attached to bonds with warrants of BASF SE or a subsidiary, which the Board of Executive Directors is authorized to issue up to April 28, 2027, by way of a resolution of the Annual Shareholders' Meeting on April 29, 2022. A right to subscribe to the bonds shall be granted to shareholders. The Board of Executive Directors is authorized to exclude the shareholders' subscription right in certain exceptional cases – as defined in Article 5(9) of the BASF SE Statutes.

### **Authorization of share buybacks**

At the Annual Shareholders' Meeting on April 29, 2022, the Board of Executive Directors was authorized to purchase up to 10% of the shares in issue at the time of the resolution (10% of the company's share capital) until April 28, 2027. At the discretion of the Board of Executive Directors, the shares can be bought back via the stock exchange, via a public purchase offer addressed to all shareholders, via a public request to shareholders for the submission of offers to sell or by other means in accordance with section 53a AktG. The Board of Executive Directors is authorized to sell the repurchased company shares again (a) on a stock exchange, (b) through an offer directed to all shareholders, (c) with approval of the Supervisory Board, to third parties by means other than via the stock exchange or through an offer addressed to all shareholders in return for cash payment at a price that is not significantly lower than the stock exchange price of a BASF share at the time of the sale, or (d) with approval of the Supervisory Board, to third parties for contributions in kind, particularly in connection with the acquisition of companies, parts of companies or shares in companies (including increases in shareholdings) or within the scope of corporate mergers. In the cases specified under (c) and (d), the shareholders' subscription right is excluded. The Board of Executive Directors is furthermore authorized to retire the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the retired shares.

### **Share buyback program 2022/2023**

On January 4, 2022, BASF SE's Board of Executive Directors resolved on a share buyback program with a volume of up to €3 billion and with the company's own shares to be repurchased in the period from January 2022 until the end of 2023 (share buyback program). Based on the authorizations granted by the Annual Shareholders' Meetings on May 12, 2017 and April 29, 2022, altogether 24,623,765 treasury shares were acquired in the period from January 11, 2022 to November 30, 2022 in connection with the share buyback program. The purchase price for these own shares, including compensation payments to the respective banks, totaled €1,325,486,177.80. All own shares repurchased in connection with this share buyback program in 2022 were canceled, and the company's share capital was reduced pro rata by the amount attributable to the canceled shares. No own shares were acquired in December 2022 due to the intended redemption of shares.

### **Rights during a change of control**

Bonds issued by BASF SE and its subsidiaries grant the bearer the right to request early repayment of the bonds at nominal value if, after the date of issue of the bond, one person – or several persons acting together – hold or acquire a volume of BASF SE shares that corresponds to more than 50% of the voting rights (change of control), and one of the rating agencies named in the bond's terms and conditions withdraws its rating of BASF SE or the bond, or reduces it to a noninvestment grade rating within 120 days of the change of control event.

An exceptional change of control compensation awarded to outgoing members of the Board of Executive Directors has not existed since January 1, 2020, as of the introduction of the amended compensation system for the Board of Executive Directors, which was approved by the Annual Shareholders' Meeting on June 18, 2020. The general rule for severance payments granted for premature terminations of appointments to the Board of Executive Directors applies, which states that the maximum severance payment may not exceed the amount of two years' compensation;

however, this may not exceed the compensation for the remaining period of the contract.

By contrast, employees of BASF SE and its subsidiaries who are classified as senior executives will still receive a severance payment if their contract of employment is terminated by BASF within 18 months of a change of control event, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a maximum severance payment of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change of control event. A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% of the BASF shares or the increase of such a holding. The remaining specifications stipulated in section 315a HGB refer to situations that are not applicable to BASF SE.

 For more information on bonds issued by BASF SE, see [basf.com/bonds](https://basf.com/bonds)

## Directors' and officers' liability insurance

BASF SE has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (directors' and officers' liability insurance). This insurance policy provides for the level of deductibles of 10% of damages up to 1.5 times the fixed annual compensation for the Board of Executive Directors as prescribed by section 93(2) sentence 3 AktG.

## Share ownership by members of the Board of Executive Directors and the Supervisory Board

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the total volume of BASF SE shares and related financial instruments held by all members of the Board of Executive Directors and the Supervisory Board accounts for less than 1% of the shares issued by the company.

## Share dealings of the Board of Executive Directors and Supervisory Board

### (Obligatory reportable and publishable directors' dealings under Article 19(1) of the E.U. Market Abuse Regulation 596/2014 (MAR))

As legally stipulated by Article 19(1) MAR, all members of the Board of Executive Directors and the Supervisory Board as well as certain members of their families are required to disclose the purchase or sale of financial instruments of BASF SE (for example, shares, bonds, options, forward contracts, swaps) to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €20,000. In 2022, a total of 20 purchases by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported as directors' dealings, involving between 2 and 2,618 BASF shares or BASF ADRs (American Depositary Receipts). The price per share was between €47.50 and €57.85. The volume of the individual transactions was between €105.45 and €124,987.51. The disclosed securities transactions are published on BASF SE's website.

 For more information on securities transactions reported in 2022, see [basf.com/en/directorsdealings](https://basf.com/en/directorsdealings)

## Information on the auditor

The Annual Shareholders' Meeting of April 29, 2022, once again elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the BASF Group Consolidated Financial Statements and Separate Financial Statements of BASF SE for the 2022 business year, as well as the corresponding Management's Reports. KPMG member firms also audit the majority of BASF Group companies included in the Consolidated Financial Statements. KPMG has been the continuous auditor of BASF SE since the 2006 Financial Statements. A public call to tender was issued in 2015 to all auditors for the audit of the 2016 Consolidated and Separate Financial Statements, in line with the E.U. Regulation 537/2014 of April 16, 2014 (E.U. Statutory Audit Regulation). Based on the results of the tendering process, the Audit Committee recommended to the Supervisory Board that it once

again propose KPMG for election. Owing to the German Financial Market Integrity Strengthening Act (FISG), KPMG can only be proposed for election by the Annual Shareholders' Meeting as BASF's auditor without further tendering processes up to and including the 2023 business year. Dr. Axel Thümler has been the auditor responsible for the Consolidated Financial Statements since auditing the 2022 Financial Statements. Since the 2020 Financial Statements, the auditor responsible for the Separate Financial Statements has been Dr. Stephan Kaiser. The total fee paid to KPMG and auditing firms of the KPMG group by BASF SE and other BASF Group companies for non-audit services, in addition to the auditing fee, was €0.9 million in 2022. This represents around 4.0% of the fees for auditing the financial statements.

During its meeting on October 20, 2022, BASF SE's Supervisory Board, acting on the recommendation of the Audit Committee and after conducting a tendering process in line with the E.U. Statutory Audit Regulation, resolved to propose to the Annual Shareholders' Meeting in 2024 that Deloitte GmbH Wirtschaftsprüfungsgesellschaft be elected as auditor for BASF SE's Annual Financial Statements and Consolidated Financial Statements for the 2024 business year. For the audit of the Annual Financial Statements and Consolidated Financial Statements 2023, the Supervisory Board intends to propose the current auditor KPMG AG Wirtschaftsprüfungsgesellschaft to be elected by the Annual Shareholders' Meeting in 2023 for the last time. It is legally required to change the auditor starting from the 2024 business year as KPMG will reach the maximum period for annual audits shortened by the Financial Market Integrity Strengthening Act when auditing the 2023 Financial Statements. The decision was preceded by a public and discrimination-free tendering process for the selection of a new auditor in line with the relevant provisions of the E.U. Statutory Audit Regulation. The selection process was conducted at an early stage in order to give the new auditor enough time to complete non-auditing services, in this way ensuring its independence and a seamless transition.

 For more information, see Note 32 on page 290

# Compliance

GRI 2, 3, 205, 206, 406, 418

Our Group-wide Compliance Program aims to ensure adherence to legal regulations, the company’s internal guidelines and ethical business practices. Our Code of Conduct firmly embeds these mandatory standards into our employees’ day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

## Compliance Program and Code of Conduct

### At a glance

>30,000

participants in compliance training

47

internal audits on adherence to our compliance standards

- Code of Conduct as the core of our Compliance Program
- Systematic further development of our compliance management system

We Care	We Earn Trust	We Play Fair	We Respect	We Protect
<ul style="list-style-type: none"> <li>– Our Code of Conduct</li> <li>– How We Make Decisions</li> <li>– We Always Speak Up</li> <li>– We Lead Integrity</li> </ul>	<ul style="list-style-type: none"> <li>– Anti-Corruption</li> <li>– Trade Control</li> <li>– Anti-Money Laundering</li> </ul>	<ul style="list-style-type: none"> <li>– Antitrust Laws</li> <li>– Gifts and Entertainment</li> <li>– Conflicts of Interest</li> </ul>	<ul style="list-style-type: none"> <li>– Human Rights, Labor and Social Standards</li> <li>– Environmental Protection, Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>– Sensitive Company Information</li> <li>– Personal Data</li> <li>– Digital Responsibility</li> <li>– Company Property</li> <li>– Accurate Books and Records</li> </ul>

BASF’s Compliance Program is based on our corporate values and voluntary commitments, as well as international standards. It describes our commitment to responsible conduct and expectations around how all BASF employees interact with business partners, officials, coworkers and the community. At the core of our Compliance Program is the global, standardized **Code of Conduct**. All employees and leaders are obligated to adhere to its guidelines, which cover topics ranging from corruption and antitrust laws to human rights, labor and social standards, conflicts of interest and trade control, and protection of data privacy.

The online version of our Code of Conduct is aimed at our employees and also offers user-friendly features such as case studies, FAQs and additional references. The internal online platform and the corresponding app provide our employees worldwide with up-to-date content such as videos and links to specialist units and guidelines as well as direct contact to subject specialists.

Other binding governance documents (policies, corporate requirements) are published on a digital platform that offers our employees an effective search function and context-based links to further information. The managing directors of BASF Group companies can find important information and assistance on ensuring compliance in their Group companies on an intranet page set up especially for them.

Abiding by compliance standards is the foundation of responsible leadership. This has also been embedded in our values. We are convinced that compliance with these standards will play a key role in securing our company’s long-term success. Our efforts are principally aimed at preventing violations from the outset.

We perform a **systematic risk assessment** to identify the risk of compliance violations, including corruption risks. These are conducted at divisional and Group company level. The regular

compliance audits performed by the Corporate Audit department are another source of information for the systematic identification of risks. These risks are documented in the relevant risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in violation prevention is **compulsory training and workshops** held as classroom or online courses. All employees are required within a prescribed time frame to take part in basic training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Newly appointed senior executives also receive special training on leading with integrity. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 30,000 participants worldwide received over 50,000 hours of compliance training in 2022.

For more information on the BASF Code of Conduct, see [basf.com/code-of-conduct](https://basf.com/code-of-conduct)

## Compliance culture at BASF

For corporate compliance to be a success, there must be an active culture of living these values and commitments within the company. The **principles embedded** in our Code of Conduct are established and recognized in our day-to-day business. We expect all employees to act in line with these principles. Our leaders play a key role here – they serve as an example of and communicate our values and culture both internally and externally. That is why special workshops on integrity as a leadership task were again held in 2022 for newly appointed senior executives.

## Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. The CCO is supported in this task by the Corporate Compliance department and more than 100 compliance officers worldwide in the regions and countries as well as in the divisions, service units and in the Corporate Center. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The compliance organization reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult their supervisors, specialist departments, such as the Legal department, and company compliance officers. The internal platform and the corresponding app also help employees to access advice by enabling direct contact. In addition, our employees can contact our compliance hotline – including anonymously – to report potential violations of laws or company guidelines. An independent external company has been contracted to manage this global hotline so that reported

cases are recorded and processed worldwide through one system. The central point of contact is a website that informs all employees worldwide about the hotline and the grievance procedure in their national language. In addition to local phone numbers, the website also offers an online contact option, which is available via PC or smartphone. The website is also available to the public. Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2022, 453 reports were received by our external hotlines (2021: 277). The information received related to all categories of our Code of Conduct, including respect in the workplace, corruption, handling of company property and environmental, health and safety issues. We carefully investigated all cases of suspected misconduct that came to our attention and, when necessary, took countermeasures on a case-by-case basis. These included, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to violations of our principles on respect in the workplace and personal misconduct in connection with the protection of company property or inappropriate handling of conflicts of interests. In such isolated cases, we took disciplinary measures in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success. In 2022, violations of our Code of Conduct led to termination of employment in a total of 34 cases (2021: 32). This relates to diverse employee groups, including executives.

BASF's **Corporate Audit department** monitors adherence to compliance principles, covering all areas in which compliance violations could occur. They check that employees uphold regulations and make sure that the established processes, procedures and monitoring tools are appropriate and sufficient to minimize potential risks or preclude violations in the first place. In 2022, 47 audits of this kind were performed Group-wide (2021: 77). Our

compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in December 2022. Overall, the audit results speak for the effectiveness of the compliance management system. As part of the comprehensive action plan developed last year for the continuous, systematic optimization of our compliance management system, we worked on strengthening key processes in 2022 and described the principles, core processes and roles in our system in detail in a revised internal policy, Compliance Management System (CMS), which was approved by the Board of Executive Directors in August 2022. A particular focus of our compliance activities in 2022 was the further development of our internal systems and processes in light of changes to supply chain law, including the German Supply Chain Due Diligence Act (SCA) (see page 111).

We monitor our business partners in sales for potential compliance risks based on the global **Guideline on Business Partner Due Diligence** using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If business partners are not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities and whether there are business processes with business partners from or in countries under embargo. One focus of our activities in 2022 was on the continuous monitoring and implementation of the dynamically evolving sanctions law requirements in light of the war in Ukraine.

We support the United Nations' Guiding Principles on Business and Human Rights and are constantly working to enhance our internal guidelines and processes in keeping with these principles. For example, there is an internal **guideline to respect international labor and social standards** that is applicable throughout the Group. Outside of our company, too, we support respect for human rights and the fight against corruption. We are a founding member of the United Nations Global Compact. As a member of Transparency

International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives.

We are committed to adhering to uniformly high standards and integrity regarding tax-related issues, as embedded in BASF's Code of Conduct and corporate values. To aid in the achievement of the U.N. SDGs and to meet our own standards for the creation of economic and social value, we contribute to public finances in accordance with legal requirements and our corporate values. In 2020, we developed and published the BASF tax principles, which are binding for all Group entities.

 For more information on the Supplier Code of Conduct and supplier assessments, see page 114 onward

 For more information on the Code of Conduct, see [basf.com/code-of-conduct](https://basf.com/code-of-conduct)

For more information on human rights and labor and social standards, see [basf.com/human\\_rights](https://basf.com/human_rights)

For more information on tax principles, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

# Management and Supervisory Boards

GRI 2

## Board of Executive Directors

There were six members on the Board of Executive Directors of BASF SE as of December 31, 2022. On October 20, 2022, the Supervisory Board of BASF SE extended the appointment of Dr. Martin Bruder Müller as BASF's Chairman of the Board of Executive Directors until the end of the 2024 Annual Shareholders' Meeting; Bruder Müller's appointment was originally scheduled to end in 2023. In addition, the Supervisory Board has appointed Dr. Dirk Elvermann as the new Chief Financial Officer and Chief Digital Officer within the framework of long-term succession planning. He succeeds Dr. Hans-Ulrich Engel, whose mandate ends at the closing of the 2023 Annual Shareholders' Meeting. In addition, some of the responsibilities within the Board departments of Saori Dubourg and Michael Heinz were reallocated effective March 1, 2022.

The composition of the Board of Executive Directors and the responsibilities of individual members are as follows:

	<b>Responsibilities (as of February 20, 2023)</b>	<b>First appointed</b>	<b>Term expires</b>	<b>Supervisory board mandates within the meaning of section 100(2) of the German Stock Corporation Act</b>	<b>Comparable German and non-German supervisory bodies</b>
<b>Dr. Martin Bruder Müller</b> Chairman of the Board of Executive Directors Degree: Chemistry, 61 years old 35 years at BASF	Corporate Legal, Compliance & Insurance; Corporate Development; Corporate Communications & Government Relations; Corporate Human Resources; Corporate Investor Relations; Senior Project Net Zero Accelerator	2006	2024	Mercedes-Benz Group AG <sup>a</sup> (member of the Supervisory Board)  Mercedes-Benz AG (Mercedes-Benz Group AG group company) (member of the Supervisory Board)	–
<b>Dr. Hans-Ulrich Engel</b> Vice Chairman of the Board of Executive Directors Degree: Law, 63 years old 35 years at BASF	Corporate Finance; Corporate Audit; Corporate Taxes & Duties; Global Business Services; Global Digital Services; Global Procurement	2008	2023	Wintershall Dea AG (Chairman of the Supervisory Board) <sup>b</sup>  Wintershall AG (Chairman of the Supervisory Board) <sup>b</sup>	Nord Stream AG (member of the Shareholders' Committee)
<b>Saori Dubourg</b> Degree: Business, 51 years old 26 years at BASF	Monomers; Performance Materials; Petrochemicals; Intermediates; Europe	2017	2025	Wintershall Dea AG (member of the Supervisory Board) <sup>b</sup>	–
<b>Michael Heinz</b> Degree: MBA, 58 years old 39 years at BASF	Agricultural Solutions; Nutrition & Health; Care Chemicals; North America; South America	2011	2024	Wintershall Dea AG (member of the Supervisory Board) <sup>b</sup>	–
<b>Dr. Markus Kamieth</b> Degree: Chemistry, 52 years old 24 years at BASF	Catalysts; Coatings; Dispersions & Resins; Performance Chemicals; Greater China; South & East Asia, ASEAN & Australia/New Zealand; Mega Projects Asia	2017	2025	–	–
<b>Dr. Melanie Maas-Brunner</b> Degree: Chemistry, 54 years old 26 years at BASF	Corporate Environmental Protection, Health, Safety & Quality; European Site & Verbund Management; Global Engineering Services; Group Research; BASF New Business	2021	2024	–	BASF Antwerpen NV (Chairwoman of the Administrative Council)

<sup>a</sup> Publicly listed

<sup>b</sup> Internal membership within the meaning of section 100(2) sentence 2 of the German Stock Corporation Act

## Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises 12 members. The term of office of the Supervisory Board commenced following the Annual Shareholders' Meeting on May 3, 2019, in which the shareholder representatives on the Supervisory Board were elected. In accordance with the applicable article of the Statutes as of the date of election, it terminates upon conclusion of the Annual Shareholders' Meeting that resolves on the discharge of members of the Supervisory Board for the fourth complete business year after the term of office commenced; this is the Annual Shareholders' Meeting on April 25, 2024.

The Supervisory Board comprises the following members (as of February 20, 2023):

	<b>Member of the Supervisory Board since</b>	<b>Memberships of statutory supervisory boards in Germany</b>	<b>Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises</b>
<b>Dr. Kurt Bock, Heidelberg, Germany</b> <sup>*1</sup> Chairman of the Supervisory Board of BASF SE Former Chairman of the Board of Executive Directors of BASF SE (until May 2018)	June 18, 2020	Bayerische Motoren Werke Aktiengesellschaft <sup>3</sup> (member)  Fuchs Petrolub SE <sup>3</sup> (until May 3, 2022) (chair)	–
<b>Prof. Dr. Stefan Asenkerschbaumer, Stuttgart, Germany</b> <sup>*1</sup> Vice Chairman of the Supervisory Board of BASF SE Managing Partner, Robert Bosch Industrietreuhand KG (RBIK) Chairman of the Supervisory Board of Robert Bosch GmbH	April 29, 2022	Robert Bosch GmbH <sup>4</sup> (chair)	Stadler Rail AG <sup>3</sup> (independent, non-executive member of the Board of Directors since May 5, 2022)
<b>Sinischa Horvat, Limburgerhof, Germany</b> <sup>*2</sup> Vice Chairman of the Supervisory Board of BASF SE Chairman of the Works Council of BASF SE, Ludwigshafen Site, of the BASF Group Works Council, and of the BASF Works Council Europe	May 12, 2017	–	–
<b>Prof. Dr. Thomas Carell, Munich, Germany</b> <sup>*1</sup> Professor of Organic Chemistry at Ludwig-Maximilians-University Munich	May 3, 2019	–	–
<b>Dame Alison Carnwath DBE, Exeter, England</b> <sup>*1</sup> Senior Advisor, Evercore Partners	May 2, 2014	–	Zurich Insurance Group AG <sup>3</sup> (independent, non-executive member of the Board of Directors) Zürich Versicherungs-Gesellschaft AG (Zurich Insurance Group AG group company) <sup>4</sup> (independent, non-executive member of the Board of Directors) PACCAR Inc. <sup>3</sup> (independent member of the Board of Directors) Coller Capital Ltd. <sup>4</sup> (non-executive member of the Board of Directors) Broadwell Capital Limited <sup>4</sup> (non-executive member of the Board of Directors until June 6, 2022) Asda Group Limited <sup>4</sup> (non-executive member of the Board of Directors) EG Group Holdings Limited <sup>4</sup> (non-executive member of the Board of Directors and chair of the audit committee)

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

<sup>1</sup> Shareholder representative

<sup>2</sup> Employee representative

<sup>3</sup> Publicly listed

<sup>4</sup> Not publicly listed

Continued from previous page

	<b>Member of the Supervisory Board since</b>	<b>Memberships of statutory supervisory boards in Germany</b>	<b>Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises</b>
<b>Liming Chen, Beijing, China</b> <sup>*1</sup> World Economic Forum Greater China Chair	October 8, 2020	–	–  The following mandates each until July 1, 2022:  IBM China Investment Company Ltd. <sup>4</sup> (chair, intragroup membership) IBM (China) Company Ltd. <sup>4</sup> (chair, intragroup membership) IBM Global Services (DaLian) Company Limited <sup>4</sup> (chair, intragroup membership) IBM Solution and Services (ShenZhen) Company Ltd. <sup>4</sup> (chair, intragroup membership) IBM Financing and Leasing Company Ltd. <sup>4</sup> (chair, intragroup membership) IBM Factoring (China) Company Ltd. <sup>4</sup> (chair, intragroup membership) Inspur Power Commercial Systems Company Ltd. <sup>4</sup> (chair, intragroup membership)
<b>Tatjana Diether, Limburgerhof, Germany</b> <sup>*2</sup> Deputy Chairwoman of the Works Council of BASF SE, Ludwigshafen Site, and member of the BASF Works Council Europe	May 4, 2018	–	–
<b>Alessandra Genco, Rome, Italy</b> <sup>*1</sup> Chief Financial Officer of Leonardo SpA	April 29, 2022	–	Elettronica SpA <sup>4</sup> (controlled interest of Leonardo SpA)
<b>André Matta, Großkarlbach, Germany</b> <sup>*2</sup> Member of the Works Council of BASF SE, Ludwigshafen Site, and member of the BASF Works Council Europe	April 29, 2022	–	–
<b>Natalie Mühlenfeld, Düsseldorf, Germany</b> <sup>*2</sup> District Manager of the Mining, Chemical and Energy Industries Union for the Düsseldorf district	April 29, 2022	3M Deutschland GmbH <sup>4</sup> (member) Axalta Coating Systems Germany GmbH & Co. KG <sup>4</sup> (vice chair)	–
<b>Michael Vassiliadis, Hannover, Germany</b> <sup>*2</sup> Chairman of the Mining, Chemical and Energy Industries Union	August 1, 2004	Steag GmbH <sup>4</sup> (member) RAG Aktiengesellschaft <sup>4</sup> (vice chair) Henkel AG & Co. KGaA <sup>3</sup> (member) Vivawest GmbH <sup>4</sup> (member)	–
<b>Peter Zaman, Antwerp, Belgium</b> <sup>*2</sup> Deputy Secretary of the Works Council of BASF Antwerpen NV	April 29, 2022	–	–

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

<sup>1</sup> Shareholder representative

<sup>2</sup> Employee representative

<sup>3</sup> Publicly listed

<sup>4</sup> Not publicly listed



Continued from previous page

**Members of the Supervisory Board in the 2022 business year who stepped down from the Supervisory Board on April 29, 2022:**

	<b>Member of the Supervisory Board since</b>	<b>Memberships of statutory supervisory boards in Germany</b>	<b>Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises</b>
<b>Franz Fehrenbach, Stuttgart, Germany<sup>1</sup></b> Vice Chairman of the Supervisory Board of BASF SE Former Chairman of the Supervisory Board of Robert Bosch GmbH (until December 31, 2021)	January 14, 2008	Robert Bosch GmbH <sup>4</sup> (chair until December 31, 2021) Stihl AG (Stihl Holding AG & Co. KG group company) <sup>3</sup> (vice chair)	Stihl Holding AG & Co. KG <sup>4</sup> (member of the Advisory Board) Linde plc <sup>3</sup> (member of the Board of Directors until March 1, 2022)
<b>Waldemar Helber, Otterbach, Germany*<sup>2</sup></b> Member of the Works Council of BASF SE, Ludwigshafen Site	April 29, 2016	–	–
<b>Anke Schäferkordt, Berlin*<sup>1</sup></b> Member of the Supervisory Board	December 17, 2010	Serviceplan Group Management SE <sup>1</sup> (partner with unlimited liability of Serviceplan Group SE & Co. KG) (member) Bayerische Motoren Werke Aktiengesellschaft <sup>3</sup> (member)	Wayfair Inc. <sup>3</sup> (non-executive director)
<b>Denise Schellemans, Brecht, Belgium<sup>2</sup></b> Full-time trade union delegate	January 14, 2008	–	–
<b>Roland Strasser, Riedstadt, Germany*<sup>2</sup></b> Regional Manager of the Rhineland-Palatinate/Saarland branch of IG BCE	May 4, 2018	AbbVie Komplementär GmbH <sup>4</sup> (member) V & B Fliesen GmbH <sup>4</sup> (member) Villeroy & Boch AG <sup>3</sup> (member)	–

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 174 for the criteria used to determine independence)

<sup>1</sup> Shareholder representative<sup>2</sup> Employee representative<sup>3</sup> Publicly listed<sup>4</sup> Not publicly listed

# Report of the Supervisory Board

GRI 2



*Dear Shareholders,*

BASF faced exceptional and unexpected challenges last year. Russia's invasion of Ukraine fundamentally and permanently changed the playing field for the European chemicals business, but especially for the shareholding in Wintershall Dea.

After a good start to the business year, general economic uncertainty, concerns about the availability of key raw materials and extreme increases in energy prices all led to a disappointing sales and earnings performance in the second half of the year. Despite this, we still achieved the targeted operating result. A number of less energy-intensive businesses performed very well overall. The bottom line – income after taxes – was negative due to the necessary impairments on the shareholding in Wintershall Dea resulting from its de facto expropriation in Russia.

At its meetings, the Supervisory Board addressed in depth the impact of the turmoil on the raw materials and energy markets on the operational business and on the short and long-term competitiveness of important businesses and sites, as well as

their value. The measures immediately taken by the Board of Executive Directors to reduce gas dependency and maintain Verbund production, especially at the Ludwigshafen site in Germany, deserve special recognition. This includes public statements on the importance of a secure and competitive gas supply for the chemical industry as well as for Germany as a business location. Our discussions also focused on the further development of the BASF Group in light of increasing geopolitical risks, changes in the regulatory environment and the path taken by the Board of Executive Directors toward climate neutrality. Last but not least, the foundation was laid for the further development of the Board of Executive Directors in terms of personnel.

Seamless and solution-oriented collaboration between the Supervisory Board and the Board of Executive Directors is particularly important in challenging times. The Supervisory Board would like to thank the Board of Executive Directors for their extraordinary performance in light of the fundamentally new challenges. Our thanks also go out to our employees around the world for their impressive commitment in times of great uncertainty and insecurity.

For the Supervisory Board, 2022 was a year of change in personnel. Five new members have joined since the end of the Annual Shareholders' Meeting. This means that seven of the twelve members have joined the Supervisory Board since its regular election in 2019. The Supervisory Board meets all of the objectives it has set with regard to its composition and competencies.

The Supervisory Board welcomes the fact that the upcoming Annual Shareholders' Meeting can finally be held in person again. Especially in difficult times, direct dialog with you – our shareholders – is even more important than ever before.

## Monitoring and consultation in an ongoing dialog with the Board of Executive Directors

In 2022, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, business developments including the major financial key performance indicators (KPIs) of the BASF Group and its segments,

macroeconomic developments and the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development. Regular topics of discussion were occupational and process safety, matters relating to sustainability, the environmental and social impact of the company's activities and the challenges of climate change for the future development of BASF's business. The Supervisory Board discussed in detail the reports from the Board of Executive Directors and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Directors' company leadership.

The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings. The Chairman of the Supervisory Board was always promptly and comprehensively informed of current developments and significant individual issues. The Supervisory Board was involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on all of those individual measures taken by the Board of Executive Directors which by law or the Statutes required the approval of the Supervisory Board.

### **Supervisory Board meetings**

The Supervisory Board held five meetings in the 2022 business year, each of which was attended by all members. The meetings were held in person with the Supervisory Board members physically present. Two members of the Supervisory Board participated in three of these meetings, and three members of the Supervisory Board participated in one meeting by means of electronic video communication. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors.

All members of the Board of Executive Directors attended the Supervisory Board meetings unless it was deemed appropriate that the Supervisory Board discuss individual topics – such as personnel matters relating to the Board of Executive Directors – without them being present. In addition, each Supervisory Board meeting

includes an agenda item that provides an opportunity for discussion without the Board of Executive Directors (executive session).

 An overview of the format of each meeting and members' personal attendance at meetings of the Supervisory Board and its committees will be made available on the company website at [basf.com/supervisoryboard/meetings](https://basf.com/supervisoryboard/meetings)

A significant component of all Supervisory Board meetings was the Board of Executive Directors' reports on the current business situation with detailed information on sales and earnings development, opportunities and risks for business development, the status of important investment projects (current and planned), important aspects of economic, environmental and social sustainability, developments in the regulatory environment, developments on the capital markets, significant managerial measures taken by the Board of Executive Directors, and innovation projects.

In all meetings held in 2022, the Supervisory Board also discussed the progress of major investments and ongoing portfolio projects, such as investments to establish a new Verbund site in southern China.

An important agenda item at all meetings of the Supervisory Board since March 2022 has been the impact of the war in Ukraine on the BASF Group's business activities. Strict compliance with the sanctions regulations of the European Union and other Western countries forms the basis for BASF's actions. The main focus of the Board of Executive Directors' reporting and the discussion in the Supervisory Board here was on the supply of natural gas, which is particularly critical for BASF's business, and the upturn in energy prices. The possible consequences for BASF's competitiveness in the short, medium and long term, particularly in Europe and at the Ludwigshafen site in Germany, and the impact on Wintershall Dea AG's until now important business in gas production in Russia and in gas transportation, were discussed in depth, and the measures taken by the Board of Executive Directors were supported.

About the meetings in detail: On February 23, 2022, the Supervisory Board reviewed the financial statements of BASF SE and the BASF Group for the 2021 business year that were submitted by the Board of Executive Directors, the corresponding management's reports, including the nonfinancial statements as well as the dividend proposal, and approved the financial statements. In preparation, the auditor had explained the process and results in detail the previous day and discussed them with the Supervisory Board. In addition, the Supervisory Board discussed and approved the Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG). It also discussed the agenda for the Annual Shareholders' Meeting on

April 29, 2022, and adopted proposals for resolutions. Since the Supervisory Board considered it impossible to hold a physical meeting due to the continuing effects of the coronavirus pandemic, it agreed to again hold the Annual Shareholders' Meeting as a virtual event without the physical presence of shareholders. Other topics discussed at the meeting were the development of business, opportunities and challenges in the Materials segment.

The Supervisory Board met on April 28, 2022, one day before the virtual Annual Shareholders' Meeting, to prepare for the Annual Shareholders' Meeting. The impact of the outbreak of war in Ukraine was also discussed.

The meeting on July 18/19, 2022, focused on the status of the implementation of BASF's corporate strategy and the further development of the BASF Group. Key individual topics here were:

- The implementation of BASF's corporate strategy, external challenges and measures to increase earnings
- The competitiveness of the Ludwigshafen site against a background of high energy prices and intensifying regulation
- The future development of the oil and gas business and the shareholding in Wintershall Dea AG
- The further development, opportunities and risks of the business in China; approval of the investment in a Verbund site in southern China
- The status, development and prospects of selected future business areas

At its meeting on October 20, 2022, the Supervisory Board discussed the composition of the Board of Executive Directors and passed a resolution to extend the appointment of the Chairman of the Board of Executive Directors, Dr. Martin Bruder Müller, until the Annual Shareholders' Meeting 2024 and to appoint Dr. Dirk Elvermann as the successor to Chief Financial Officer Dr. Hans-Ulrich Engel, who will retire at the end of the Annual Shareholders' Meeting on April 27, 2023. Other key topics included the tender for the auditor's mandate from the 2024 business year with the resolution to propose Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the future auditor to the Annual Shareholders' Meeting 2024, as well as the implementation of the new recommendations of the amended German Corporate Governance Code.

At its meeting on December 15, 2022, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning, including the investment budget for 2023, and, as in previous years, authorized the Board of Executive

Directors to procure the necessary financing in 2023 within a set limit. The Supervisory Board also addressed the topics of increasing the competitiveness of the Ludwigshafen site in Germany, expanding BASF's renewable energy portfolio in Europe, compliance management in the BASF Group and fulfilling due diligence obligations in supply chains.

### Compensation and composition of the Board of Executive Directors

In several meetings over the 2022 business year, the Supervisory Board discussed and passed resolutions on the compensation of the Board of Executive Directors. In addition, two decisions on the composition of the Board of Executive Directors had to be taken.


At its meeting on February 23, 2022, the Supervisory Board deliberated and agreed on the 2022 targets for the Board of Executive Directors based on the preparations of the Personnel Committee. It also discussed and resolved on the final performance factors for the Board of Executive Directors' short-term and long-term incentives for 2021. At its meeting on October 20, 2022, the Supervisory Board discussed the appointment of a successor for the Chief Financial Officer Dr. Hans-Ulrich Engel, who will retire from the Board of Executive Directors as of April 27, 2023, and, in line with the recommendation made by the Personnel Committee, appointed Dr. Dirk Elvermann as a member of the Board of Executive Directors from this date. Also following the recommendation by the Personnel Committee, it was resolved to extend the appointment of the Chairman of the Board of Executive Directors, Dr. Martin Bruder Müller, by one year until the end of the 2024 Annual Shareholders' Meeting. At its meeting on December 15, 2022, the Supervisory Board evaluated, based on the discussions and the corresponding recommendation of the Personnel Committee, the Board of Executive Directors' performance in 2022 and set the performance factor for the short-term incentive 2022 and the strategic performance factors for the deferral compensation components for 2019–2022.

 For more information on the compensation of the Board of Executive Directors and the Supervisory Board, see the Compensation Report, which has been made publicly available on the company's website at [basf.com/compensationreport](https://basf.com/compensationreport)

### Committees

The Supervisory Board of BASF SE has four committees: 1. the committee for personnel matters of the Board of Executive Directors and the granting of loans in accordance with section 89(4) of the German Stock Corporation Act (Personnel

Committee); 2. the Audit Committee; 3. the Nomination Committee; and 4. the Strategy Committee. Following each Committee meeting, the chairs of the Committees reported in detail about the meetings and the activities of the Committees at the subsequent meeting of the Supervisory Board. The Supervisory Board has not established a special sustainability committee: In the Supervisory Board's opinion, sustainability is a material cross-cutting issue that affects all aspects of the Supervisory Board's supervision activities and is therefore considered in depth by the entire Supervisory Board. Sustainability expertise is broadly embedded in the Supervisory Board and has long been a very important requirement for its work.

 For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report from page 169 onward

The **Personnel Committee** met four times during the reporting period. All meetings were conducted in person. All committee members attended all meetings. At its meeting on February 22, 2022, the Personnel Committee discussed the target agreement for the Board of Executive Directors for 2022 and the targets for the long-term compensation to be granted in 2022 for the Board of Executive Directors for the period 2022–2025, as well as the 2021 Compensation Report. At its meeting on July 18, 2022, the Personnel Committee focused on the development of leadership at BASF's top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors, including potential successor candidates. A key topic here was the process for deciding on the successor for the Chief Financial Officer, Dr. Hans-Ulrich Engel, who will retire from the Board of Executive Directors at the end of the Annual Shareholders' Meeting on April 27, 2023. The main agenda item at the meeting on October 19, 2022, was the review of the appropriateness of the compensation of the Board of Executive Directors. For this purpose, the Personnel Committee had also obtained an appropriateness study from an independent external consultant, based on which the Personnel Committee currently does not see any need to adjust the compensation. The agenda also included the discussion of proposed resolutions for the Supervisory Board to extend the appointment of the Chairman of the Board of Executive Directors, Dr. Martin Brudermüller, which ends with the Annual Shareholders' Meeting on April 27, 2023, and to appoint a new Board of Executive Directors member to succeed the departing Chief Financial Officer. At its meeting on December 14, 2022, the Personnel Committee discussed the assessment of the Board's performance in 2022, a proposal for the performance-related variable compensation and the further development of the Board of Executive Directors.

The **Audit Committee** met five times during the reporting period. Three meetings were conducted as in-person meetings and two meetings were conducted as video

conferences. All committee members attended all meetings. Part of December's meeting was held without the Board of Executive Directors present (executive session). The Audit Committee is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code. The Audit Committee is also responsible for monitoring the internal process for identifying related party transactions and adopting resolutions to approve related party transactions. The chair of the Audit Committee also maintains regular contact with the auditor between meetings, in particular regarding the progress of the annual audit. During the Audit Committee meetings attended by the auditor, the Audit Committee also discusses matters with the auditor in a separate part of the meeting without a member of the Board of Executive Directors present.

At the meeting on February 22, 2022, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2021 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the Nonfinancial Statements of BASF SE and the BASF Group, sustainability reporting as well as the Compensation Report of BASF SE in accordance with section 162 AktG, which had been audited by the external auditor. In preparation for the audit of the Nonfinancial Statements, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a limited assurance and issue an assurance report on it. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At its meeting on April 28, 2022, the Audit Committee addressed the BASF Group's quarterly statement for the first quarter of 2022, which was due for publication, risk management in the BASF Group, and the organization and results of further environmental, health and safety audits and controls.

Focus topics at the meeting on July 22, 2022, were the BASF Group's Half-Year Financial Report and the internal audit system, on which the head of the Corporate Audit department reported.


At the meeting on July 22, 2022, the Audit Committee also engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting on April 29, 2022 – with the audit for the 2022 reporting year and agreed upon the auditing fees. The focus areas and scope of the annual audit were discussed and defined together with the auditor.

At its meeting on October 19, 2022, the Audit Committee discussed the BASF Group's Quarterly Statement for the third quarter of 2022 and addressed the topics of compliance with and follow-up on major acquisitions and divestitures. The head of the Corporate Compliance unit reported on compliance topics. In continuation of its consultations in previous meetings, the Audit Committee also addressed at length the tender for the audit of the Annual Financial Statements and the Consolidated Financial Statements of BASF SE from the 2024 business year, discussed the results of the tender process and, based on this result, recommended that the Supervisory Board propose to the Annual Shareholders' Meeting that Deloitte GmbH Wirtschaftsprüfungsgesellschaft be appointed as auditor from the 2024 business year. The Audit Committee was regularly involved in the tender and application process through its chair. The meeting also addressed the Committee's annual self-assessment of the effectiveness and efficiency of its work.

At the meeting on December 14, 2022, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items. This also included possible impairments on individual assets and the carrying amount of the shareholding in Wintershall Dea AG.

At all meetings, the Audit Committee addressed the main pending accounting issues and risks arising from litigation.

The **Nomination Committee** is responsible for preparing candidate proposals for the Supervisory Board members to be elected by the Annual Shareholders' Meeting. The Nomination Committee is guided by the objectives for the composition of the Supervisory Board adopted by the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board. The Nomination Committee did not meet in 2022 as there were no further changes to the Supervisory Board members to be elected by the Annual Shareholders' Meeting beyond the new appointments resolved at the Annual Shareholders' Meeting on April 29, 2022, which the Nomination Committee had already prepared intensively in 2021.

 For the objectives for the composition of the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board, see the Corporate Governance Report on page 173

The **Strategy Committee**, which was established to discuss strategic options for the further development of the BASF Group, did not meet in 2022.

## Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2022, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code, both in the version dated December 16, 2019, and in the amended version dated April 28, 2022 (GCGC 2022), which forms the basis for the forward-looking section of the company's Declaration of Conformity dated December 2022. Discussions concentrated on the implementation of the new recommendations of GCGC 2022 and its focus areas: integrating sustainability into company management and the Supervisory Board's supervision activities, the Audit Committee's special expertise in accounting and auditing, and cooperation with the auditor.

In accordance with the recommendations of the German Corporate Governance Code and the guiding principles for the dialog between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2022.

Special onboarding events were held for the new members of the Supervisory Board to familiarize them with the basics of corporate governance at BASF, the organization and internal structures of the BASF Group, and the composition of its businesses and their strategies. Above and beyond this, the company also supports the members of the Supervisory Board with training for their activities on the Supervisory Board, whether through external offerings such as topic-specific seminars or internal information offerings such as site and plant visits.

At its meeting of December 15, 2022, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with section 161 of the German Stock Corporation Act (AktG). BASF had complied with all recommendations of the German Corporate Governance Code in the version dated December 16, 2019, until this date and has since complied with all of the recommendations of the GCGC 2022. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

 The full Declaration of Conformity is rendered on page 193 and is available to shareholders on the company website at [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. The Supervisory Board based the assessment of the independence of its members on the recommendations of the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members contained in the Rules of Procedure of the Supervisory Board, which were revised in the Supervisory Board meeting on December 19, 2019. The criteria used to assess independence are presented in the Corporate Governance Report on page 174. Based on these criteria, the Supervisory Board came to the conclusion that all of the six shareholder representatives and five of the six employee representatives – 11 of the 12 members of the Supervisory Board in total – are considered to be independent as of the end of 2022. Michael Vassiliadis was classified as non-independent due to the length of his membership on the Supervisory Board, which exceeds 12 years. Above and beyond this, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment of their independence. The scope of these businesses is marginal and furthermore, they are conducted at arm's length.

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. To this end, the Chairman of the Supervisory Board again conducted a written survey of all Supervisory Board members in the fourth quarter of 2022 on the basis of a detailed questionnaire covering the entire range of relevant Supervisory Board topics, supplemented by individual discussions. These included, in particular, the preparation and conduct of Supervisory Board meetings, the content and topics of the meetings, cooperation within the Supervisory Board and cooperation with the Board of Executive Directors and the auditor. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented by the Chairman of the Supervisory Board at the Supervisory Board meeting on December 15, 2022, and thoroughly discussed by the members of the Supervisory Board. Overall, its members again rated the Supervisory Board's activity as efficient.

Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2022 based on individual discussions between the chair of the Audit Committee and all members of the Audit Committee. Material subjects were the organization and content of meetings, meeting documents and reports, participants and quality of discussions at meetings, and the

implementation of the recommendations of the 2021 efficiency review. The Audit Committee discussed the results of the questionnaire and detailed suggestions at its meeting on October 19, 2022. On this basis, the members judged the Audit Committee's work to be efficient and appropriate.

### Separate and Consolidated Financial Statements; Compensation Report

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2022 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management's Report and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under section 91(2) of the German Stock Corporation Act (AktG) in an appropriate manner. In particular, it had instituted an appropriate early risk detection system that fulfilled the requirements of the company and is suitable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of the financial statements are presented in the Auditor's Report.

 The Auditor's Report is rendered from page 197 onward

For more information on the auditor, see the Corporate Governance Report on page 178

Beyond the statutory audit of the Financial Statements, KPMG also conducted, on behalf of the Supervisory Board, a limited assurance of the Nonfinancial Statements (NFSs) for BASF SE and the BASF Group, which are integral parts of the respective management's reports. On the basis of its audit, KPMG did not raise any objections to reporting and the satisfaction of the relevant statutory requirements. The auditor also audited the Compensation Report for the 2022 reporting year established in accordance with section 162 AktG, including the related disclosures.

 The assurance report issued by KPMG on the substantive audit of the NFS can be found at [basf.com/nfs-audit-2022](https://basf.com/nfs-audit-2022)

The assurance report issued by KPMG on the audit of the Compensation Report can be found at [basf.com/compensationreport](https://basf.com/compensationreport)

The auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 21, 2023, as well as the accounts meeting of the Supervisory Board on

February 22, 2023, and reported on the procedure and material findings of its audit, including the key audit matters described in the Auditor's Report. The auditor also provided the Supervisory Board with detailed explanations of the reports on the day before the accounts meeting.

The Audit Committee reviewed the Financial Statements, the Management's Report and the Compensation Report at its meeting on February 21, 2023, including the reports prepared by the auditor and the key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The chair of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on February 22, 2023. On this basis, the Supervisory Board examined the Financial Statements and Management's Report of BASF SE for 2022, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2022. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management or the reports submitted.

At its accounts meeting on February 22, 2023, the Supervisory Board approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the 2022 Financial Statements final. The Supervisory Board concurred with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.40 per share.

Also at the meeting on February 22, 2023, the Supervisory Board discussed with the Board of Executive Directors the joint Compensation Report of the Board of Executive Directors and the Supervisory Board in accordance with section 162 AktG and approved it.

 The Compensation Report is publicly available on the company's website at [basf.com/compensationreport](https://www.basf.com/compensationreport)

## Composition of the Supervisory Board

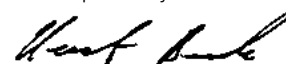
The composition of the Supervisory Board changed significantly in 2022. Altogether, five Supervisory Board members stepped down at the end of the Annual Shareholders' Meeting on April 29, 2022, two shareholder representatives and three employee representatives. The retired shareholder representatives are Anke Schäferkordt and Franz Fehrenbach, and the employee representatives are Denise Schellemans, Waldemar Helber and Roland Strasser. The Annual Shareholders' Meeting on April 29, 2022, elected Alessandra Genco and Prof. Dr. Stefan Asenkerschbaumer to the Supervisory Board as new shareholder representatives. On the employee representative side, Denise Schellemans and Waldemar Helber retired and were succeeded by Peter Zaman and André Matta, the substitute members elected by the competent election body in the 2019 Supervisory Board elections. The Ludwigshafen am Rhein District Court also appointed Natalie Mühlenfeld as an employee representative on the Supervisory Board by court order dated April 12, 2022. The BASF Europa Betriebsrat (European Works Council) confirmed the appointment as the competent election body for the employees by resolution dated June 23, 2022. The mandates of all newly appointed Supervisory Board members run until the end of the current Supervisory Board period, i.e., until the Annual Shareholders' Meeting 2024. Following the new appointments, the Supervisory Board continues to consist of four women and eight men.

According to the Supervisory Board's assessment, the current members meet in full the objectives for the composition of the Supervisory Board with respect to the competence profile and the diversity concept. This also applies to the expertise on the sustainability topics important to BASF, which the Supervisory Board has recently included in the competence profile as a further competence requirement.

The Supervisory Board would like to thank its retired members – Anke Schäferkordt, Franz Fehrenbach, Denise Schellemans, Waldemar Helber and Roland Strasser – for their dedicated and exceptionally competent service to BASF's Supervisory Board.

Ludwigshafen, February 22, 2023

The Supervisory Board



Dr. Kurt Bock  
Chairman of the Supervisory Board



# Declaration of Conformity Pursuant to Section 161 AktG

## Declaration of Conformity 2022 of the Board of Executive Directors and the Supervisory Board of BASF SE

**The Board of Executive Directors and the Supervisory Board  
of BASF SE hereby declare pursuant to section 161 AktG  
(German Stock Corporation Act)**

- The recommendations of the Government Commission on the German Corporate Governance Code as amended on December 16, 2019, published by the Federal Ministry of Justice on March 20, 2020, in the official section of the Federal Gazette have been complied with since the submission of the last Declaration of Conformity of December 2021.
- The recommendations of the Government Commission on the German Corporate Governance Code as amended on April 28, 2022, published by the Federal Ministry of Justice on June 27, 2022, in the official section of the Federal Gazette are complied with.

Ludwigshafen, December 2022

**The Supervisory Board**  
of BASF SE

**The Board of Executive Directors**  
of BASF SE

# Declaration of Corporate Governance



## **Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB**

The Declaration of Corporate Governance, pursuant to section 315d HGB in connection with section 289f HGB, comprises the subchapters Corporate Governance Report including the description of the diversity concept for the composition of the Board of Executive Directors and the Supervisory Board (except for the disclosures pursuant to section 315a HGB), Compliance and Declaration of Conformity as per section 161 of the German Stock Corporation Act (AktG) in the Corporate Governance chapter. It is a component of the Management's Report.

Pursuant to section 317(2) sentence 6 HGB, the auditor checked that the disclosures according to section 315d HGB were made.

# 4

# Consolidated Financial Statements

Contents  
To Our Shareholders  
Management's Report  
Corporate Governance  
**Consolidated Financial Statements**  
Overviews

---

<b>Statement by the Board of Executive Directors</b> _____	<b>196</b>	7 Sales revenue _____	227	24 Risks from litigation and claims _____	268
<b>Independent Auditor's Report</b> _____	<b>197</b>	8 Functional costs _____	229	25 Other financial obligations _____	268
<b>Statement of Income</b> _____	<b>203</b>	9 Other operating income and expenses _____	229	26 Supplementary information on financial instruments _____	269
<b>Statement of Income and Expense Recognized in Equity</b> _____	<b>204</b>	10 Investments accounted for using the equity method and other financial assets _____	231	27 Capital structure management and statement of cash flows _____	282
<b>Balance Sheet</b> _____	<b>205</b>	11 Financial result _____	236	28 Personnel expenses and employees _____	284
<b>Statement of Cash Flows</b> _____	<b>207</b>	12 Income taxes _____	237	29 Share price-based compensation programs and BASF incentive share program _____	285
<b>Statement of Changes in Equity</b> _____	<b>208</b>	13 Noncontrolling interests _____	241	30 Compensation of the Board of Executive Directors and Supervisory Board _____	288
<b>Notes</b> _____	<b>209</b>	14 Intangible assets _____	242	31 Related party transactions _____	288
1 Summary of accounting policies _____	209	15 Property, plant and equipment _____	246	32 Services provided by the external auditor _____	290
2 Scope of consolidation _____	214	16 Leases _____	250	33 Declaration of Conformity with the German Corporate Governance Code _____	290
3 Acquisitions and divestitures _____	216	17 Inventories _____	251	34 Non-adjusting events after the balance sheet date _____	290
4 BASF Group list of shares held pursuant to section 313(2) of the German Commercial Code (HGB) _____	219	18 Receivables and miscellaneous assets _____	252		
5 Reporting by segment and region _____	219	19 Capital, reserves and retained earnings _____	254		
6 Earnings per share _____	226	20 Other comprehensive income _____	256		
		21 Liabilities _____	257		
		22 Provisions for pensions and similar obligations _____	261		
		23 Other provisions _____	266		

# Statement by the Board of Executive Directors

## and assurance pursuant to sections 297(2) and 315(1) of the German Commercial Code (HGB)

The Board of Executive Directors of BASF SE is responsible for preparing the Consolidated Financial Statements and Management's Report of the BASF Group.

The BASF Group Consolidated Financial Statements for 2022 were prepared according to the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB), London, and have been endorsed by the European Union.

We have established effective internal control and steering systems in order to ensure that the BASF Group's Management's Report and Consolidated Financial Statements comply with applicable accounting rules and to ensure proper corporate reporting.

The internal control and risk management system we have set up is specifically designed to enable the Board of Executive Directors to identify material risks early on and take appropriate defensive measures as necessary. The appropriateness and effectiveness of the internal control and risk management system are continually audited throughout the Group by our Corporate Audit department.

To the best of our knowledge, and in accordance with the applicable reporting rules, the Consolidated Financial Statements of the BASF Group give a true and fair view of the net assets, financial position and results of operations of the Group, and the Management's Report of the BASF Group includes a fair review of the development and performance of the business as well as position of the BASF Group, together with a description of the principal opportunities and risks associated with the expected development of the BASF Group.

Ludwigshafen am Rhein, February 22, 2023

**Dr. Martin Bruder Müller**

Chairman of the Board of Executive Directors

**Dr. Hans-Ulrich Engel**

Vice Chairman and Chief Financial Officer

**Saori Dubourg**

**Michael Heinz**

**Dr. Markus Kamieth**

**Dr. Melanie Maas-Brunner**

# Independent Auditor's Report<sup>1</sup>

## To BASF SE, Ludwigshafen am Rhein

### Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

#### Opinions

We have audited the consolidated financial statements of BASF SE, Ludwigshafen am Rhein, and its subsidiaries (the Group), which comprise the statement of income, statement of income and expense recognized in equity, balance sheet, statement of cash flows and statement of changes in equity for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of BASF SE for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

The group management report contains cross-references that are not required by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit, – the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, as well as the IFRSs in the version adopted by the International Accounting Standards Board and the additional requirements of German

commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code], and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report. The group management report contains cross-references that are not required by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

#### Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance

with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

#### Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### Recoverability of goodwill

For information on the accounting principles applied, please refer to Note 1.4 to the consolidated financial statements from page 212. The underlying assumptions used in the measurement and the disclosures on the impairment tests performed are included in Note 14 to the consolidated financial statements from page 242.

#### The financial statement risk

Intangible assets in the consolidated financial statements of BASF SE include goodwill in the amount of EUR 7,696 million. Goodwill accounts for 9.1 % of total assets and thus has a material impact on the Parent Company's net assets. Goodwill is tested for impairment annually, irrespective of any indication of impairment. If any indications of impairment arise during the financial year, an ad hoc goodwill impairment test is also carried out during the year. The

<sup>1</sup> This is a translation of the German original. Solely the original text in German language is authoritative.

goodwill impairment test involves the carrying amount being compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognized. The recoverable amount is the higher amount of fair value less costs to sell and value in use of the cash-generating unit.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgment. These include the forecasts for future cash inflows in the detailed planning period, the assumed growth rate for subsequent periods and the cost of capital. These assumptions have a material impact on the recoverability of goodwill. The growth forecasts of the Board of Executive Directors are associated with risks and can be revised in light of volatile raw materials prices and an unstable macroeconomic environment.

Based on the impairment tests conducted, the Company did not identify any need to recognize impairment losses. However, the Group's sensitivity analysis showed for the cash-generating units Catalysts (not including Battery Materials) and Surface Treatment in the Surface Technologies segment that a reasonably possible change in the cost of capital, the EBITDA margin of the last detailed planning year or the long-term growth rate would reduce the respective value to the recoverable amount.

There is the risk for the consolidated financial statements that any existing impairment as at the reporting date was not identified. In addition, there is a risk that the disclosures in the notes on the key assumptions are not appropriate.

#### **Our audit approach**

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the Group's methods of calculation.

We examined the forecast for the expected business and earnings development and the resulting cash flows in the detailed planning period, in particular with respect to whether the expected development of the relevant sales markets was given appropriate considera-

tion and was consistent with the current budgets adopted by the Board of Executive Directors and the Supervisory Board. We compared internal growth forecasts with industry expectations and those of significant competitors and we assessed whether the assumptions contained in the planning regarding the future development of margins and the amount of investments were appropriate. Our review of the appropriateness of the budgets adopted by the Board of Executive Directors and the Supervisory Board also included a comparison of planning in past business years with the results actually achieved. For selected cash-generating units, we examined whether reasons for not reaching budgeted figures in the past were given appropriate consideration in current planning, to the extent that this was relevant.

We assessed the appropriateness of the assumed growth rate for the period following the detailed planning period on the basis of industry-specific and macroeconomic studies. We evaluated the methodological appropriateness of the calculation and the appropriateness of the weighted average cost of capital. To this end, we calculated our own expected values for the assumptions and data underlying the weighted cost of capital rates and compared these with the assumptions and data used.

To assess the methodically and mathematically correct implementation of the valuation method for the cash-generating units Catalysts (not including Battery Materials) and Surface Treatment in the Surface Technologies segment, we verified the Company's measurement using our own calculations and analyzed deviations.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the cost of capital, the EBITDA margin of the last detailed planning year or the long-term growth rate on the recoverable amount by evaluating alternative scenarios as calculated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes on the key assumptions are appropriate. This also included an assessment of the appropriateness of the disclosures pursuant to IAS 36.134(f) on

sensitivities in the event of a reasonably possible change in key assumptions underlying the evaluation.

#### **Our observations**

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The assumptions and data of the Board of Executive Directors underlying the measurement are appropriate overall.

The disclosures in the notes on the key assumptions are appropriate.

#### **Recoverability of the shareholding in Wintershall Dea**

For information on the accounting principles applied and the underlying assumptions used in the measurement, please refer to Note 10.2 to the consolidated financial statements from page 233.

#### **The financial statement risk**

In the consolidated financial statements of BASF SE, shares in Wintershall Dea in the amount of EUR 4,364 million are reported under non-integral investments accounted for using the equity method. The shareholding in Wintershall Dea accounts for 5.2 % of total assets and thus has a material influence on the Group's net assets.

If there are indicators for an impairment of an equity-accounted investment, the Company determines the recoverable amount as of the reporting date and compares this with the carrying amount. The recoverable amount is the higher of fair value less costs to sell and the value in use of the investment. The higher value in use determined for the investment as recoverable amount is determined using the discounted cash flow method. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

The determination of the recoverable amount of the investment in the Wintershall Dea is complex and based on assumptions requiring judgment. These include, in particular, the distinction between

cash-generating units for accounting purposes, the assessment of the increasingly restricted influence on the investments in Russia, including due to government interventions, as well as the estimates of long-term oil and gas prices, the forecast production volumes of Wintershall Dea's oil and gas fields based on expected license terms and production profiles, and the cost of capital.

There is the risk for the consolidated financial statements that a decline in the value of the investment as of the balance sheet date was not identified. There is also the risk that the related disclosures in the notes are not appropriate.

#### Our audit approach

We obtained an understanding of the Company's process for the identification of indications of impairment as well as for the determination of the recoverable amount based on explanations provided by the staff in accounting. In doing so, we assessed, among other things, whether the calculation of the recoverable amount of the investment in Wintershall Dea was consistent with the relevant accounting principles and whether the key assumptions made for this calculation were appropriate.

To assess whether the IFRS criteria for control or significant influence regarding Wintershall Dea's Russian investments have been fulfilled, we gained an understanding of the Russian government's decrees, inspected the correspondence with the co-owners and evaluated the accounting decision based on this at the level of Wintershall Dea.

We discussed the projected development of production volumes and oil and gas prices with the persons responsible for planning. We evaluated the production profiles used to measure the assets of the exploration and production business assets, while taking into account assessments by experts contracted by Wintershall Dea. In order to assess its suitability as a basis for calculation, we had the oil and gas price scenario used by the Company explained to us. To assess its appropriateness, we compared the oil and gas price scenario used by BASF with the published expectations of com-

petitors, analysts, international institutions and other market participants.

With the involvement of our valuation specialists, we also satisfied ourselves of the methodological appropriateness of the calculation and the appropriateness of the weighted average cost of capital. We compared the assumptions and data underlying the capital costs, in particular the risk-free rate, the market risk premium and the beta factor with our own assumptions and publicly available data.

In order to assess the accuracy of the measurement of the investment in Wintershall Dea, we verified selected calculations taking into account risk-based considerations.

Finally, we assessed whether the disclosures in the notes on the recoverability of the investment in Wintershall Dea are appropriate.

#### Our observations

The underlying calculation method for the impairment test of the investment in Wintershall Dea is appropriate and consistent with the applicable accounting principles.

The Company's assumptions and data underlying the measurement are appropriate. The related disclosures in the notes are appropriate.

#### Other Information

The Board of Executive Directors and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the components of the integrated non-financial statement, which are marked as unaudited
- the corporate governance statement included in the Corporate Governance section of the group management report, and
- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Board of Executive Directors is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, as well as the IFRSs in the version adopted by the International Accounting Standards Board and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Executive Directors is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Board of Executive Directors is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Executive Directors is responsible for the preparation of a group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Executive Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Executive Directors and the reasonableness of estimates made by the Board of Executive Directors and related disclosures.
- Conclude on the appropriateness of the Board of Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU, as well as the IFRSs in the version adopted by the International Accounting Standards Board and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Executive Directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

### Other Legal and Regulatory Requirements

#### Disclaimer of Opinion on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB.

We were engaged to perform reasonable assurance work in accordance with Section 317 (3a) HGB on whether the renderings of the consolidated financial statements and the group management report to be prepared for publication purposes (hereinafter the "ESEF documents") comply in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format").

We do not express an opinion on the ESEF documentation. Due to the significance of the matter described below, we were unable to obtain sufficient appropriate assurance evidence to provide a basis for an assurance opinion on the ESEF documents.

Since the Company's Board of Executive Directors had not submitted any ESEF documents to us for assurance work up to the time of issuance of the auditor's report, we do not express an opinion on the ESEF documents.

The Company's Board of Executive Directors is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Board of Executive Directors is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

We are responsible for performing an assurance engagement in accordance with § 317 Abs. 3a HGB and in compliance with IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410) (06.2022). Due to the matter described above, we were unable to obtain sufficient appropriate assurance evidence to provide a basis for an assurance opinion on the ESEF documents.

#### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on April 29, 2022. We were engaged by the Chair of the Audit Committee on November 16, 2022. We have been the group auditor of BASF SE without interruption since financial year 2006.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

  
**German Public Auditor Responsible for the Engagement**

The German Public Auditor responsible for the engagement is  
Dr. Axel Thümler.

Frankfurt am Main, February 21, 2023

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

**Sailer**

Wirtschaftsprüfer  
[German Public Auditor]

**Dr. Thümler**

Wirtschaftsprüfer  
[German Public Auditor]

# Statement of Income

## BASF Group

### Statement of income

Million €

	Explanations in Note	2022	2021
<b>Sales revenue</b>	[7]	<b>87,327</b>	<b>78,598</b>
Cost of sales	[8]	-66,260	-58,801
<b>Gross profit on sales</b>		<b>21,067</b>	<b>19,797</b>
Selling expenses	[8]	-9,613	-8,414
General administrative expenses	[8]	-1,520	-1,408
Research and development expenses	[8]	-2,298	-2,216
Other operating income	[9]	1,808	1,894
Other operating expenses	[9]	-3,283	-2,650
Income from integral companies accounted for using the equity method	[10]	386	675
<b>Income from operations</b>	<b>[5]</b>	<b>6,548</b>	<b>7,677</b>
Income from non-integral companies accounted for using the equity method	[10]	-4,885	285
Income from other shareholdings		34	47
Expenses from other shareholdings		-89	-125
<b>Net income from shareholdings</b>		<b>-4,939</b>	<b>207</b>
Interest income		196	168
Interest expenses		-629	-482
<b>Interest result</b>		<b>-433</b>	<b>-314</b>
Other financial income		182	94
Other financial expenses		-168	-215
<b>Other financial result</b>		<b>15</b>	<b>-122</b>
<b>Financial result</b>	<b>[11]</b>	<b>-418</b>	<b>-436</b>
<b>Income before income taxes</b>		<b>1,190</b>	<b>7,448</b>
Income taxes	[12]	-1,581	-1,430
<b>Income after taxes from continuing operations</b>		<b>-391</b>	<b>6,018</b>
<b>Income after taxes from discontinued operations</b>		<b>-</b>	<b>-36</b>
<b>Income after taxes</b>		<b>-391</b>	<b>5,982</b>
of which attributable to shareholders of BASF SE (net income)		-627	5,523
of which attributable to noncontrolling interests	[13]	236	459
<b>Earnings per share from continuing operations (€)</b>	<b>[6]</b>	<b>-0.70</b>	<b>6.05</b>
<b>Earnings per share from discontinued operations (€)</b>	<b>[6]</b>	<b>-</b>	<b>-0.04</b>
<b>Earnings per share (€)</b>	<b>[6]</b>	<b>-0.70</b>	<b>6.01</b>
Dilution effect (€)	[6]	-	-0.01
<b>Diluted earnings per share (€)</b>	<b>[6]</b>	<b>-0.70</b>	<b>6.00</b>

# Statement of Income and Expense Recognized in Equity

## BASF Group

### Statement of comprehensive income<sup>a</sup>

Million €

	2022	2021
<b>Income after taxes</b>	<b>-391</b>	<b>5,982</b>
Remeasurement of defined benefit plans <sup>b</sup>	3,758	3,476
Deferred taxes on the remeasurement of defined benefit plans	-1,256	-811
Investments accounted for using the equity method – share of nonreclassifiable gains/losses (after taxes)	83	44
<b>Nonreclassifiable gains/losses</b>	<b>2,586</b>	<b>2,709</b>
Unrealized gains/losses in connection with cash flow hedges	510	284
Reclassification of realized gains/losses recognized in the statement of income in connection with cash flow hedges	-455	-222
Unrealized gains/losses from currency translation	565	1,566
Reclassification of realized gains/losses from currency translation recognized in the statement of income	-	52
Deferred taxes on reclassifiable gains/losses	-15	-29
Investments accounted for using the equity method – share of reclassifiable gains/losses (after taxes)	604	313
<b>Reclassifiable gains/losses</b>	<b>1,209</b>	<b>1,964</b>
<b>Other comprehensive income after taxes</b>	<b>3,794</b>	<b>4,673</b>
of which attributable to shareholders of BASF SE	3,788	4,583
attributable to noncontrolling interests	6	90
<b>Comprehensive income</b>	<b>3,403</b>	<b>10,655</b>
of which attributable to shareholders of BASF SE	3,161	10,106
attributable to noncontrolling interests	242	549

<sup>a</sup> For more information on other comprehensive income, see Note 20 on page 256 of the Notes

<sup>b</sup> For more information on the remeasurement of defined benefit plans, see Note 22 from page 261 onward

# Balance Sheet

## BASF Group

Assets	Explanations in Note	December 31, 2022	December 31, 2021
Million €			
Intangible assets	[14]	13,273	13,499
Property, plant and equipment	[15]	22,967	21,553
Integral investments accounted for using the equity method	[10]	2,356	2,540
Non-integral investments accounted for using the equity method	[10]	4,645	9,843
Other financial assets	[10]	1,120	575
Deferred tax assets	[12]	880	2,600
Other receivables and miscellaneous assets	[18]	1,810	1,722
<b>Noncurrent assets</b>		<b>47,050</b>	<b>52,332</b>
Inventories	[17]	16,028	13,868
Accounts receivable, trade	[18]	12,055	11,942
Other receivables and miscellaneous assets	[18]	6,591	5,568
Marketable securities		232	208
Cash and cash equivalents <sup>a</sup>	[27]	2,516	2,624
Assets of disposal groups	[3]	–	840
<b>Current assets</b>		<b>37,422</b>	<b>35,051</b>
<b>Total assets</b>		<b>84,472</b>	<b>87,383</b>

<sup>a</sup> For a reconciliation of the amounts in the statement of cash flows with the balance sheet item cash and cash equivalents, see page 207

**Equity and liabilities**

Million €

	Explanations in Note	December 31, 2022	December 31, 2021
Subscribed capital	[19]	1,144	1,176
Capital reserves	[19]	3,147	3,106
Retained earnings	[19]	35,453	40,365
Other comprehensive income	[20]	-171	-3,855
<b>Equity attributable to shareholders of BASF SE</b>		<b>39,573</b>	<b>40,792</b>
Noncontrolling interests	[13]	1,350	1,289
<b>Equity</b>		<b>40,923</b>	<b>42,081</b>
Provisions for pensions and similar obligations	[22]	2,810	6,160
Deferred tax liabilities	[12]	1,543	1,499
Tax provisions		330	415
Other provisions	[23]	1,650	1,782
Financial indebtedness	[21]	15,171	13,764
Other liabilities	[21]	1,606	1,600
<b>Noncurrent liabilities</b>		<b>23,110</b>	<b>25,220</b>
Accounts payable, trade	[21]	8,434	7,826
Provisions	[23]	3,799	3,935
Tax liabilities	[12]	995	1,161
Financial indebtedness	[21]	3,844	3,420
Other liabilities	[21]	3,368	3,679
Liabilities of disposal groups	[3]	-	61
<b>Current liabilities</b>		<b>20,440</b>	<b>20,081</b>
<b>Total equity and liabilities</b>		<b>84,472</b>	<b>87,383</b>

# Statement of Cash Flows

## BASF Group

### Statement of cash flows<sup>a</sup>

Million €

	2022	2021
Net income	-627	5,523
Depreciation and amortization of property, plant and equipment and intangible assets	4,200	3,687
Changes in inventories	-1,991	-3,304
Changes in receivables	2,145	-1,272
Changes in operating liabilities and other provisions	-786	3,010
Changes in pension provisions, defined benefit assets and other items	4,768	213
Gains (-) / losses (+) from the disposal of noncurrent assets and securities	-1	-611
<b>Cash flows from operating activities</b>	<b>7,709</b>	<b>7,245</b>
Payments made for property, plant and equipment and intangible assets	-4,375	-3,532
Payments made for financial assets and securities	-1,273	-994
Payments made for acquisitions	-13	-600
Payments received for divestitures	691	1,030
Payments received from the disposal of noncurrent assets and securities	1,192	1,474
<b>Cash flows from investing activities</b>	<b>-3,778</b>	<b>-2,622</b>
Capital increases/repayments and other equity transactions	-1,331	-
Additions to financial and similar liabilities	10,896	7,627
Repayment of financial and similar liabilities	-10,330	-10,772
Dividends paid		
To shareholders of BASF SE	-3,072	-3,031
noncontrolling interests	-176	-281
<b>Cash flows from financing activities</b>	<b>-4,013</b>	<b>-6,457</b>
<b>Cash-effective changes in cash and cash equivalents</b>	<b>-83</b>	<b>-1,834</b>
Changes in cash and cash equivalents		
From foreign exchange rates	-19	131
changes in the scope of consolidation	-6	-7
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,624</b>	<b>4,335</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,516</b>	<b>2,624</b>

<sup>a</sup> The statement of cash flows is explained in the Management's Report (Financial Position) on page 65.

# Statement of Changes in Equity

## BASF Group

### Statement of changes in equity<sup>a</sup>

Million €

	Subscribed capital	Capital reserves	Retained earnings	Remeasurement of defined benefit plans	Currency translation	Measurement of securities at fair value	Cash flow hedges	Other comprehensive income <sup>b</sup>	Equity attributable to shareholders of BASF SE	Non-controlling interests	Equity
<b>As of January 1, 2022</b>	<b>1,176</b>	<b>3,106</b>	<b>40,365</b>	<b>-3,793</b>	<b>406</b>	<b>5</b>	<b>-472</b>	<b>-3,855</b>	<b>40,792</b>	<b>1,289</b>	<b>42,081</b>
Treasury shares	-32	32	-1,325	-	-	-	-	-	-1,325	-	-1,325
Dividends paid	-	-	-3,072	-	-	-	-	-	-3,072	-176 <sup>c</sup>	-3,248
Income after taxes	-	-	-627	-	-	-	-	-	-627	236	-391
Other comprehensive income after taxes	-	-	-	2,586	1,135	-16	84	3,788	3,788	6	3,794
Gains and losses on cash flow hedges and hedging costs, eliminated from other comprehensive income not affecting profit and loss	-	-	-	-	-	-	-116	-116	-116	-	-116
Changes in scope of consolidation and other changes	-	9 <sup>d</sup>	113	-	-	12	-	12	134	-6	128
<b>As of December 31, 2022</b>	<b>1,144</b>	<b>3,147</b>	<b>35,453</b>	<b>-1,207</b>	<b>1,540</b>	<b>0</b>	<b>-504</b>	<b>-171</b>	<b>39,573</b>	<b>1,350</b>	<b>40,923</b>

### Statement of changes in equity<sup>a</sup>

Million €

	Subscribed capital	Capital reserves	Retained earnings	Remeasurement of defined benefit plans	Currency translation	Measurement of securities at fair value	Cash flow hedges	Other comprehensive income <sup>b</sup>	Equity attributable to shareholders of BASF SE	Non-controlling interests	Equity
<b>As of January 1, 2021</b>	<b>1,176</b>	<b>3,115</b>	<b>37,911</b>	<b>-6,538</b>	<b>-1,800</b>	<b>7</b>	<b>-143</b>	<b>-8,474</b>	<b>33,728</b>	<b>670</b>	<b>34,398</b>
Dividends paid	-	-	-3,031	-	-	-	-	-	-3,031	-281 <sup>c</sup>	-3,312
Income after taxes	-	-	5,523	-	-	-	-	-	5,523	459	5,982
Other comprehensive income after taxes	-	-	-	2,709	2,205	-2	-329	4,583	4,583	90	4,673
Changes in scope of consolidation and other changes	-	-10 <sup>d</sup>	-37	36	-	-	-	36	-11	351	340
<b>As of December 31, 2021</b>	<b>1,176</b>	<b>3,106</b>	<b>40,365</b>	<b>-3,793</b>	<b>406</b>	<b>5</b>	<b>-472</b>	<b>-3,855</b>	<b>40,792</b>	<b>1,289</b>	<b>42,081</b>

<sup>a</sup> For more information on the items relating to equity, see Notes 19 and 20 from page 254 onward

<sup>b</sup> Details are provided in the Statement of Income and Expense Recognized in Equity on page 204.

<sup>c</sup> Including profit and loss transfers

<sup>d</sup> Valuation adjustment BASF "plus" share program



# Notes

## 1 Summary of accounting policies

### 1.1 General information

BASF SE (registered at the district trade register, or *Amtsgericht*, for Ludwigshafen am Rhein, number HRB 6000) is a publicly listed corporation headquartered in Ludwigshafen am Rhein, Germany. Its official address is Carl-Bosch-Str. 38, 67056 Ludwigshafen am Rhein, Germany.

### 1.2 Changes in accounting principles

#### Accounting policies applied for the first time in 2022

The amendments shown in the table had no material effect on BASF SE's Consolidated Financial Statements.

The Consolidated Financial Statements of BASF SE as of December 31, 2022, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), and section 315e (1) of the German Commercial Code (HGB). IFRSs are generally only applied after they have been endorsed by the European Union. For the 2022 fiscal year, all of the binding IFRSs and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) were applied. The Consolidated Financial Statements are for the period from January 1, 2022 to December 31, 2022, and are presented in euros. They are written in German and translated into English. All amounts, including the figures for previous years, are given in million euros unless otherwise indicated. Due to rounding, individual figures in this report may not add up to the totals shown and percentages may not correspond exactly to the figures shown.

The individual financial statements of the consolidated companies are prepared as of the balance sheet date of the Consolidated Financial Statements. Business continuity is assumed. The accounting policies applied are largely the same as those used in 2021.

 For more information, see Note 1.3 from page 211 onward and Note 10 from page 231 onward

On February 21, 2023, the Board of Executive Directors prepared the Consolidated Financial Statements, submitted them to the Supervisory Board for review and approval, and released them for publication.

#### Accounting policies applied for the first time in 2022

Standard/interpretation	Name of standard/interpretation or amendments	Date of publication	Date of endorsement by the E.U.
Amendments to IFRS 3	Business Combinations (Amendment to References to the Conceptual Framework)	May 14, 2020	June 28, 2021
Amendments to IAS 16	Property, Plant and Equipment (Proceeds before Intended Use)	May 14, 2020	June 28, 2021
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)	May 14, 2020	June 28, 2021
Annual improvements to IFRS 2018–2020	Amendments to IFRS 1 (Subsidiary as a First-Time Adopter) IFRS 9 (Fees in the “10% Test” for Derecognition of Financial Liabilities) IFRS 16 (Lease Incentives) IAS 41 (Taxation in Fair Value Measurements)	May 14, 2020	June 28, 2021

### IFRSs and IFRICs not yet to be considered but already endorsed by the E.U.

The effects on the BASF Group financial statements of the IFRSs and IFRICs not yet in force in 2022 but already endorsed by the European Union were reviewed. The amendments to IAS 12, which serve to clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations, are already being applied in BASF's financial statements. Transactions within the scope of application of IFRS 17 were identified for BASF to a minor extent only. The other amendments are also unlikely to have a material impact on the reporting of BASF and were not adopted early.

### IFRSs and IFRICs not yet to be considered but already endorsed by the E.U.

Standard/interpretation	Name of standard/interpretation or amendments	Date of publication	Date of endorsement by the E.U.	Mandatory date of initial application
Introduction of IFRS 17	Insurance Contracts (Including Amendments to the Standard)	May 18, 2017 June 25, 2020	November 19, 2021	January 1, 2023
Amendments to IFRS 17	Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)	December 9, 2021	September 8, 2022	
Amendments to IAS 1 and IFRS Practice Statement 2	Presentation of Financial Statements and Making Materiality Judgements (Presentation of Key Accounting Policies)	February 12, 2021	March 2, 2022	January 1, 2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Changes in Accounting Policies and Accounting Estimates)	February 12, 2021	March 2, 2022	January 1, 2023
Amendments to IAS 12	Income Taxes (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)	May 7, 2021	August 11, 2022	January 1, 2023

### IFRSs and IFRICs not yet to be considered and not yet endorsed by the E.U.

The IASB issued further amendments to standards and interpretations which are still subject to E.U. endorsement and whose application is not yet mandatory. None of these amendments are likely to have a material impact on BASF's reporting. BASF does not plan on early adoption of these amendments.

### IFRSs and IFRICs not yet to be considered and not yet endorsed by the E.U.

Standard/interpretation	Name of standard/interpretation or amendments	Date of publication	Expected date of initial application
Amendments to IAS 1	Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date – Classification of Noncurrent Liabilities with Covenants	January 23, 2020 July 15, 2020 October 31, 2022	January 1, 2024
Amendments to IFRS 16	Leases (Accounting of a Lease Liability in a Sale and Leaseback)	September 22, 2022	January 1, 2024

### 1.3 Group accounting principles

**Scope of consolidation:** The scope of consolidation is based on the application of the standards IFRS 10 and 11.

According to IFRS 10, a group consists of a parent entity and the subsidiaries controlled by the parent. “Control” of an investee assumes the simultaneous fulfillment of the following three criteria:

- The parent company holds decision-making power over the relevant activities of the investee
- The parent company has rights to variable returns from the investee
- The parent company can use its decision-making power to affect the variable returns

Fulfillment of these three criteria is analyzed based on the corporate governance structure of the companies.

According to IFRS 11, which regulates the accounting of joint arrangements, a distinction must be made between joint ventures and joint operations. In the case of a joint venture, the parties that have joint control of a legally independent company have rights to the net assets of that arrangement. In joint operations, the parties that have joint control have direct rights to the assets and obligations for the liabilities relating to the arrangement. This requirement is particularly fulfilled if the production output of the joint arrangement is almost entirely transferred to the partners, through which the partners guarantee the joint arrangements’ ongoing financing.

Companies whose corporate governance structures classify them as joint arrangements are analyzed to determine if they meet the criteria for joint ventures or joint operations in accordance with IFRS 11. Should the arrangement be structured through a separate vehicle, its legal form, contractual arrangements and all other facts and circumstances are reviewed.

In addition to BASF SE, the Consolidated Financial Statements include all material subsidiaries on a fully consolidated and all material joint operations on a proportionally consolidated basis. Companies whose business is dormant or of low volume, and are of minor importance for the presentation of a true and fair view of the net assets, financial position and results of operations, are not consolidated, but rather are reported under other shareholdings. These companies are carried at amortized cost and are written down in the case of an impairment. The aggregate assets and equity of these companies amount to less than 1% of the corresponding value at Group level.

Joint ventures and associated companies are accounted for using the equity method in the Consolidated Financial Statements. Associated companies are entities that are not subsidiaries, joint ventures or joint operations, and over whose operating and financial policies significant influence can be exercised. In general, this applies to companies in which BASF has an investment of between 20% and 50%. Associated companies and joint ventures that are fully or predominantly allocated to operating divisions are classified as integral because they are integrated into the value chain of the respective division; are controlled by the divisions; and they generate their income in close cooperation with the other assets of the BASF Group and/or of these divisions. Equity-accounted income from integral joint ventures or associated companies is reported as part of income from operations (EBIT).

Equity-accounted income from non-integral associated companies is reported in net income from shareholdings.

 For more information, see Note 10 from page 231 onward

**Consolidation methods:** Assets and liabilities of consolidated companies are uniformly recognized and measured in accordance with the principles described herein. For companies accounted for using the equity method, material deviations in measurement resulting from the application of other accounting principles than those applied by BASF are adjusted.

Transactions between consolidated companies as well as intercompany profits resulting from trade between consolidated companies are eliminated in full. Sales and material other balances and transactions between joint operations and fully consolidated Group companies are also eliminated. Material intercompany profits related to companies accounted for using the equity method are eliminated.

Capital consolidation is conducted at the acquisition date according to the purchase method. Initially, all assets, liabilities and additional intangible assets that are to be capitalized are measured at fair value regardless of the scope of any noncontrolling interests. Subsequently, the cost of acquiring the company is compared with the proportional share of the fair value of the net assets acquired. The resulting positive differences are capitalized as goodwill. Negative differences are reviewed once more, then recognized directly in the income statement.

Noncontrolling interests are measured at fair value at the date of acquisition proportional to the assets acquired and liabilities assumed (partial goodwill method).

The incidental acquisition costs of a business combination are recognized in the income statement under other operating expenses.

 For more information, see Note 13 on page 241

**Foreign currency translation:** The cost of assets acquired in foreign currencies and revenue from sales in foreign currencies are determined by the exchange rate on the date the transaction is recognized. Foreign currency receivables and liabilities are valued at the exchange rates on the balance sheet date. Changes in assets and liabilities arising from foreign currency translation are recognized in the income statement and reported under other operating income or expenses, other financial result, and in the case of financial assets measured at fair value through other comprehensive income, in other comprehensive income.

**Translation of foreign currency financial statements:** The translation of foreign currency financial statements depends on the functional currency of the consolidated companies. For companies whose functional currency is not the euro, translation into the reporting currency is based on the closing rate method: Balance sheet items are translated into euros using closing rates on the balance sheet date; expenses and income are translated into euros at monthly average rates and accumulated for the year. The difference between a company's equity translated at historical rates at the time of acquisition or retention and its equity translated at closing rates on the balance sheet date is reported under other comprehensive income (translation adjustments) and is recognized in the income statement only upon the disposal of the company or a foreign business.

For certain companies outside the eurozone or U.S. dollar zone, the euro or U.S. dollar is the functional currency. In such cases, financial statements prepared in the local currency are translated into the functional currency using the temporal method: All nonmonetary assets and related depreciation and amortization as well as equity are translated at the exchange rate applying to the respective transactions. All other balance sheet items are translated using closing rates on the balance sheet date; other expenses and income are translated at monthly average rates. The resulting translation differences are recognized in the income statement under other operating income or expenses. If necessary, financial statements in the functional currency are translated into the presentation currency according to the closing rate method.

#### Selected exchange rates

EUR 1 equals

	Closing rates		Average rates	
	Dec. 31, 2022	Dec. 31, 2021	2022	2021
Brazil (BRL)	5.64	6.31	5.44	6.38
China (CNY)	7.36	7.19	7.08	7.63
Japan (JPY)	140.66	130.38	138.03	129.88
Malaysia (MYR)	4.70	4.72	4.63	4.90
Mexico (MXN)	20.86	23.14	21.19	23.99
Switzerland (CHF)	0.98	1.03	1.00	1.08
South Korea (KRW)	1,344.09	1,346.38	1,358.07	1,354.06
United States (USD)	1.07	1.13	1.05	1.18
United Kingdom (GBP)	0.89	0.84	0.85	0.86

#### 1.4 Accounting policies

The accounting policies for the individual items in the balance sheet and the income statement are presented in the respective sections of the Notes.

**Business combinations:** In business combinations, the acquired assets and liabilities are recognized at fair value on the date the acquirer effectively obtains control. The fair value of acquired assets and assumed liabilities at the date of acquisition, as well as the useful lives of the acquired assets, are largely based on projected cash flows. Actual cash flows can deviate significantly from those. Independent external appraisals are typically used for the purchase price allocation of material business combinations. Valuations in the course of business combinations are based on existing information as of the acquisition date.

#### Groups of assets and liabilities held for sale (disposal groups):

These comprise those assets and directly associated liabilities shown separately on the balance sheet whose sale in the context of a single transaction is highly probable. A transaction is assumed to be highly probable if there are no significant risks of completion of the transaction, which usually requires the conclusion of binding contracts. The assets and liabilities of disposal groups are recognized at the lower of the sum of their carrying amounts or fair value less costs to sell; this does not apply to assets that do not fall under the valuation principles of IFRS 5. Depreciation of noncurrent assets and the use of the equity method are suspended.

For more information, see Note 3 from page 216 onward

### Use of estimates and assumptions in preparing the Consolidated Financial Statements

The carrying amount of assets, liabilities and provisions, contingent liabilities and other financial obligations reported in the Consolidated Financial Statements depends on the use of estimates, assumptions and discretionary scope. Specific estimates or assumptions used in individual accounting or valuation methods are disclosed in their respective sections of the Notes to the Consolidated Financial Statements. They are based on the circumstances and estimates on the balance sheet date and thus affect the amounts of income and expenses shown for the reporting periods presented. These assumptions primarily relate to the determination of discounted cash flows in the context of impairment tests and purchase price allocations; the useful lives of depreciable property, plant and equipment and intangible assets; the carrying amount of shareholdings; and the measurement of provisions for items such as employee benefits, warranties, trade discounts, environmental protection and taxes. Although uncertainty is appropriately incorporated in the valuation factors, actual results can differ from these estimates. Furthermore, extraordinary challenges resulting from current geopolitical and economic developments are also considered. The war in Ukraine has significantly changed the economic environment in Europe. In particular, reduced gas supplies from Russia led to significantly higher prices in raw materials and energy and a high degree of insecurity regarding gas availability in general. The associated price increase in gas favors inflation and weakens the economy. Current inflation developments were taken into account both in the measurement of pension provisions and other provisions as well as in the fixed asset impairment tests.

**Impairment tests** on assets are carried out whenever certain triggering events indicate potential impairment. External triggering events include, for example, changes in customer industries, technologies used and economic downturns. Internal triggering events for an impairment test include lower product profitability, planned restructuring measures or physical damage to assets. Impairment tests entail a comparison of the carrying amount and the recoverable amount. The recoverable amount is the higher of fair

value less costs to sell and the value in use. As a rule, value in use is determined using the discounted cash flow method. The estimation of cash flows and the assumptions used consider all information available on the respective balance sheet date on the future development of the operating business. Actual future developments may vary. Impairment testing relies upon the cash-generating unit's long-term earnings forecasts, which are based on macroeconomic trends. In light of the war in Ukraine, appropriate consideration is being given to a scenario in which Russia permanently cuts off the gas supply which leads to negative impacts on production and sales planning as a result of considerable price increases on the energy and raw materials markets. The weighted average cost of capital (WACC) based on the capital asset pricing model plays an important role in impairment testing. It comprises a risk-free interest rate, the market risk premium and an industry-specific spread for the credit risk. Additional important assumptions are the forecasts for the detailed planning period and the terminal growth rates used. Fair value less costs to sell must be determined for the impairment test of disposal groups; specific assumptions relating to the respective transaction must be made for this determination.

An impairment is recognized if the recoverable amount of the asset is lower than the carrying amount. The impaired asset (excluding goodwill) is written down by the amount of the difference between these amounts.

The goodwill impairment test is based on cash-generating units. At BASF, these largely correspond to the business units, or in individual cases the divisions. If there is a need for impairment, the existing goodwill is, if necessary, completely written off as a first step. If there is further need for impairment, this is allocated to the remaining assets of the cash-generating unit. Goodwill impairments are reported under other operating expenses.

 For more information, see Note 3 from page 216 onward and Note 14 from page 242 onward

**Climate and sustainability-related developments:** The chemical industry is resource-intensive. BASF is committed to the Paris Climate Agreement: Using resources as efficiently and responsibly as possible and the concept of a circular economy are firmly embedded in BASF's strategy and its actions. BASF pursues clearly defined goals to reduce CO<sub>2</sub> as well regarding the use of renewable and recycled raw materials. In this context, BASF always strives to employ raw materials more efficiently and improve production processes as well as to continually seek ways to use non-fossil, renewable or recycled feedstocks. Despite the current global political situation, the path to climate neutrality is resolutely being pursued. For this reason, current developments and measures relating to climate change and sustainability do not lead to fundamentally changed expectations with regard to useful lives or recoverability of the majority of noncurrent assets. There is also no material need for adjustments to provisions for environmental and restoration obligations. In individual cases, however, plants may be shut down if necessary for reasons of environmental protection.

Climate policies are also causing fundamental changes in the automotive industry, one of BASF's key customer industries. The transition to electromobility will have a long-term negative impact on the emissions catalyst business. This development is reflected in a negative long-term growth rate for the Catalysts (excluding battery materials) cash-generating unit. Other BASF businesses will benefit from this transformation; for example, demand for innovative lightweight components and battery materials will grow. Furthermore, climate policies can influence the business of oil and gas producers such as Wintershall Dea, which BASF accounts for using the equity method. Nevertheless, given the large share of gas in Wintershall Dea's production and reserves as well as the acceptance of gas as a bridge technology, it can be assumed that these assets are fundamentally recoverable. The price assumptions applied for the impairment test reflected current developments regarding climate neutrality as well as a possible oil and gas shortage due to lack of investment in this industry.

 For more information on climate and sustainability, see Wintershall Dea's annual report at [wintershalldea.com/en/investor-relations](https://wintershalldea.com/en/investor-relations)

**Withdrawal from business in Russia:** Due to Russia's war of aggression, BASF decided in April 2022 to wind down all the company's business activities in Russia and Belarus, with the exception of business to support food production, as of July 10, 2022. This led to impairments on property, plant and equipment, inventories, trade accounts receivable as well as further assets. Sales with customers in Russia amounted to around 1% of the BASF Group's sales in 2021.

For more information, see Note 5 from page 219 onward

Due to growing limitations on the influence it can exert on its shareholdings in Russia and the economic expropriation, Wintershall Dea deconsolidated its Russian exploration and production activities. Accordingly, the value of Wintershall Dea's Russian shareholdings was remeasured and impairments were recognized for the European gas transportation business.

For more information, see Note 10 from page 231 onward

## 2 Scope of consolidation

### Scope of consolidation

Number of companies

	Europe	Of which Germany	North America	Asia Pacific	South America, Africa, Middle East	2022	2021
<b>As of January 1</b>	<b>140</b>	<b>43</b>	<b>35</b>	<b>71</b>	<b>21</b>	<b>267</b>	<b>282</b>
of which proportionally consolidated	7	–	–	2	–	9	9
First-time consolidations <sup>a</sup>	1	1	–	–	–	1	9
of which proportionally consolidated	–	–	–	–	–	–	–
Deconsolidations <sup>b</sup>	8	–	2	1	–	11	24
of which proportionally consolidated	–	–	–	–	–	–	–
<b>As of December 31</b>	<b>133</b>	<b>44</b>	<b>33</b>	<b>70</b>	<b>21</b>	<b>257</b>	<b>267</b>
of which proportionally consolidated	7	–	–	2	–	9	9

<sup>a</sup> Acquisitions, newly established companies, or reclassification due to increased importance

<sup>b</sup> Divestitures, mergers, liquidations, or downgrades due to decreased importance

As of April 12, 2022, BASF sold 51% of its shares in HKZ Investor Holding B.V., Arnhem, Netherlands, which holds 49.5% of shares in the Hollandse Kust Zuid (HKZ) wind farm via a total of four affiliated companies, to Allianz Capital Partners. Through the resulting loss of control, the affiliated companies were eliminated from the scope of consolidation. Since then, the previously fully consolidated company HKZ Investor Holding B.V. has been consolidated as an integral joint venture using the equity method.

Because of increased importance, Lucura Versicherungs AG, Ludwigshafen am Rhein, Germany, which was previously accounted for as an integral associated company using the equity method, was included in the Consolidated Financial Statements for the first time. The following table shows the effects of the reclassification of Lucura Versicherungs AG. The effects recognized in equity resulted primarily from the elimination of provisions against other BASF Group companies that had been recognized in Lucura Versicherungs AG's separate financial statements.

## Overview of impact of changes in the scope of consolidation (excluding acquisitions and divestitures)

	2022			2021	
	Million €	Of which Lucura Versicherungs AG	% <sup>a</sup>	Million €	% <sup>a</sup>
<b>Sales</b>	<b>-46</b>	<b>-</b>	<b>0.0</b>	<b>-1</b>	<b>0.0</b>
Noncurrent assets	191	190	0.4	21	0.0
of which property, plant and equipment	-1	-	0.0	-1	0.0
Current assets	11	16	0.0	-28	0.0
of which cash and cash equivalents	5	10	0.2	-8	0.3
<b>Assets</b>	<b>202</b>	<b>205</b>	<b>0.2</b>	<b>-7</b>	<b>0.0</b>
Equity	124	124	0.3	1	0.0
Noncurrent liabilities	128	129	0.6	0	0.0
of which financial indebtedness	-	-	-	-	-
Current liabilities	-50	-47	-0.2	-8	0.0
of which financial indebtedness	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>202</b>	<b>205</b>	<b>0.2</b>	<b>-7</b>	<b>0.0</b>
Other financial obligations	-	-	-	-	-

<sup>a</sup> Proportional share in relation to the BASF Group

The proportionally consolidated joint operations include, in particular:

- Ellba C.V., Rotterdam, Netherlands, which is jointly operated with Shell for the production of propylene oxide and styrene monomer
- BASF DOW HPPO Production BVBA, Antwerp, Belgium, which is jointly operated with Dow for the production of propylene oxide
- Butachimie SNC, Chalampé, France, which is jointly operated with Invista for the production of adiponitrile (ADN) and hexamethylenediamine (HMD)
- Alsachimie S.A.S., Chalampé, France, which is jointly operated with Domo Chemicals for the production of adipic acid

In addition to the fully and proportionally consolidated companies, 23 joint ventures and/or associated companies (2021: 27) were consolidated using the equity method as of December 31, 2022.

A list of the companies included in the Consolidated Financial Statements and of all companies in which BASF SE has a shareholding as required by section 313(2) of the German Commercial Code (HGB) is provided in the list of shares held.

 For more information, see Note 4 on page 219

 For more information, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### 3 Acquisitions and divestitures

#### Acquisitions

No activities were acquired in 2022.

In 2021, BASF acquired the following activities:

- Since August 31, 2021, BASF and Shanshan, a lithium-ion battery materials provider in China, have held shares in BASF Shanshan Battery Materials Co., Ltd. The company is majority-owned by BASF (BASF 51%; Shanshan 49%). It occupies a very strong position in the value chain for battery materials including raw materials, precursors for cathode active materials, cathode active materials and battery recycling. It focuses primarily on the electric vehicle market as well as the consumer electronics and energy storage segments. Through this investment, BASF has further strengthened its position in Asia to create an integrated global supply chain for battery materials for customers in China and worldwide. The investment strengthened the Catalysts division. The transaction includes four companies and approximately 1,600 employees. One of the companies was classified as an investment accounted for using the equity method, but for reasons of materiality, is recognized in BASF's financial statements at cost. The purchase price was €616 million and was cash-effective in full. A separate transaction valued at €36 million was connected to the purchase in accordance with IFRS 3.51 and was reported under other receivables. It contains a compensation component which is coupled with the retention of employees at the acquired companies. It affects a period of one or two years. The first tranche was fulfilled and disbursed to employees in 2022; the disbursement for the second tranche will occur when the commitment has been fulfilled in 2023. Goodwill of €254 million resulted in particular from sales and cost synergies and was not tax deductible. The preliminary purchase price allocation for this transaction was reviewed at the end of the 12-month valuation period pursuant to IFRS 3. It did not lead to any adjustments.

- Furthermore, BASF completed the purchase of 49.5% of Vattenfall's Hollandse Kust Zuid wind farm on September 1, 2021. The transaction was not reported as an acquisition because the acquired assets did not constitute a business in accordance with IFRS 3.2b, so it was not within the IFRS 3 scope of application. The transaction is therefore not included in the following table.

The following overview shows the effects of acquisitions in 2021 on the Consolidated Financial Statements. When acquisitions resulted in the transfer of assets or the assumption of additional liabilities, the effects are shown as net amounts. The disclosures in 2022 relate to the fulfillment of the first tranche of the compensation component agreed as part of the formation of BASF Shanshan Battery Materials Co., Ltd. and the payment of a purchase price adjustment for the polyamide business acquired in 2020.

#### Effects of acquisitions

	2022		2021	
	Million €	% <sup>a</sup>	Million €	% <sup>a</sup>
Goodwill	–	–	254	3.4
Other intangible assets	–	–	139	2.3
Property, plant and equipment	–	–	332	1.5
Financial assets	–	–	8	0.1
Other noncurrent assets	–19	0.0	11	0.3
<b>Noncurrent assets</b>	<b>–</b>	<b>–</b>	<b>744</b>	<b>1.4</b>
<b>Current assets</b>	<b>–19</b>	<b>0.0</b>	<b>692</b>	<b>2.0</b>
of which cash and cash equivalents	–	–	52	2.0
<b>Assets</b>	<b>–19</b>	<b>0.0</b>	<b>1,436</b>	<b>1.6</b>
<b>Equity</b>	<b>–18</b>	<b>0.0</b>	<b>348</b>	<b>0.8</b>
of which noncontrolling interests	–	–	348	27.0
<b>Noncurrent liabilities</b>	<b>–</b>	<b>–</b>	<b>65</b>	<b>0.3</b>
of which financial indebtedness	–	–	5	0.0
<b>Current liabilities</b>	<b>–14</b>	<b>–0.1</b>	<b>371</b>	<b>1.8</b>
of which financial indebtedness	–	–	91	2.7
<b>Total equity and liabilities</b>	<b>–32</b>	<b>0.0</b>	<b>436</b>	<b>0.5</b>
<b>Payments made for acquisitions</b>	<b>13</b>		<b>652</b>	
Additions of cash and cash equivalents	–		–52	
<b>Payments made for acquisitions according to statement of cash flows</b>	<b>13</b>		<b>600</b>	

a Proportional share in relation to the BASF Group



## Divestitures

In 2022, BASF sold the following activities:

- On April 12, 2022, BASF completed the sale of a 51% share in HKZ Investor Holding B.V., Arnhem, Netherlands, the holding company for the investment in the Hollandse Kust Zuid (HKZ) wind farm, to Allianz Capital Partners, Luxembourg, acting as party to the contract on behalf of Allianz Insurance Companies. Since then, BASF's remaining shares in HKZ Investor Holding B.V. have been accounted for using the equity method. The proportional net income is presented in the BASF Group's income from operations. The integral investment is not allocated to any division but reported under Other. The disposal group of the wind farm investment was derecognized in April 2022 when the shares were sold. The disposal gain includes the gain from the transition from full consolidation to the equity method and is likewise presented in income from operations. The calculation is summarized in the table below:

### Calculation of the disposal gain on the 51% share in HKZ Investor Holding B.V.

Million €

	April 12, 2022
Fair value of assets received	754
Disposed net assets	–565
Assets of the disposal group	–733
Reinstated receivables	2
Liabilities of the disposal group	166
Reinstated liabilities	–
Recycling of income and expenses previously recognized directly in equity (recognized in the statement of income on disposal)	72
Other	–5
<b>Disposal gain before taxes</b>	<b>256</b>
Tax expense	–
<b>Disposal gain after taxes</b>	<b>256</b>

- On September 30, 2022, BASF closed the divestiture of its kaolin minerals business to KaMin, a global performance minerals company headquartered in Macon, Georgia, following approval by the relevant authorities. The divestiture comprised the production hub with sites in Daveyville, Toddville, Edgar, Gordon and related mines, reserves and mills in Toombsboro and Sandersville in Georgia. The refinery catalysts production located at the same site remained part of BASF operations and was not included in the divestiture. The kaolin minerals business was allocated to the Performance Chemicals division. The disposal group of the kaolin minerals business was derecognized in September 2022 when the transaction closed. The calculation of the disposal gain is presented in the following table:

### Calculation of disposal gains of the kaolin minerals business

Million €

	Sept. 30, 2022
Purchase price	225
Disposed net assets	–204
Assets of the disposal group	–245
Reinstated receivables	–
Liabilities of the disposal group	41
Reinstated liabilities	–
Other	–14
<b>Disposal gain before taxes</b>	<b>7</b>
Tax expense	–23
<b>Disposal gain after taxes</b>	<b>–16</b>

- On October 31, 2022, BASF reached an agreement with Clariant Corporation, Louisville, Kentucky, to sell its production site in Quincy, Florida, and the associated attapulgite business in the Dispersions & Resins division to Clariant Corporation, Louisville, Kentucky. The Quincy site employed around 75 employees and manufactures clay-based mineral products used in a variety of industrial applications. The purchase price was \$60 million.

In 2021, BASF sold the following activities:

- On May 31, 2021, BASF completed the sale of its production site in Kankakee, Illinois, to a subsidiary of One Rock Capital Partners, LLC. The transaction also included the vegetable-oil-based sterols and natural vitamin E business as well as the anionic surfactants and esters produced at the Kankakee site. The purchase price was €177 million. The transaction affected the Nutrition & Health and Care Chemicals divisions.
- Following the fulfillment of clearance conditions, BASF closed the divestiture of its global pigments business to DIC, Tokyo, Japan, on June 30, 2021. The purchase price on a cash and debt-free basis was €1.15 billion. The transaction affected approximately 2,500 employees in the former Dispersions & Pigments division. The disposal group of the pigments business was derecognized when BASF's global pigments business was sold to DIC, Tokyo, Japan, on June 30, 2021.
- On November 9, 2021, BASF and Clayton, Dubilier & Rice sold their shares in Solenis to Platinum Equity, Beverly Hills, California. With over 5,200 employees, Solenis serves customers in water-intensive industries by helping them solve complex water treatment and process improvement challenges. BASF held a 49% share in Solenis after having transferred its wet-end paper and water chemicals business to the company in February 2019. The share in Solenis was accounted for using the equity method. The remaining 51% of the shares were held by funds managed by Clayton, Dubilier & Rice, and by Solenis management. The purchase price allocated to BASF was around €1.1 billion. The investment was classified as non-integral. Its earnings and the gain on the disposal in the amount of €589 million were reported under net income from shareholdings.
- On November 30, 2021, BASF completed the sale of the precision microchemicals business to Entegris, Billerica, Massachusetts. The transaction included fixed assets and inventories; the purchase price was €78 million. The precision microchemicals business was part of the Surface Treatment global business unit in the Coatings division, operating under the Chemetall brand.

The following overview shows the effects of the divestitures in 2022 and 2021 on the Consolidated Financial Statements. The sales line item showed the year-on-year decline resulting from divestitures. The impact on equity related mainly to gains and losses from divestitures.

#### Effects of divestitures

	2022		2021	
	Million €	% <sup>a</sup>	Million €	% <sup>a</sup>
<b>Sales</b>	<b>-564</b>	<b>-0.6</b>	<b>-495</b>	<b>-0.8</b>
<b>Noncurrent assets</b>	<b>310</b>	<b>0.7</b>	<b>-31</b>	<b>-0.1</b>
of which property, plant and equipment	-32	-0.1	-50	-0.2
<b>Current assets</b>	<b>-994</b>	<b>-2.7</b>	<b>-1,730</b>	<b>-4.9</b>
of which cash and cash equivalents <sup>b</sup>	-21	0.0	-33	0.0
<b>Assets</b>	<b>-684</b>	<b>-0.8</b>	<b>-1,761</b>	<b>-2.0</b>
<b>Equity</b>	<b>256</b>	<b>0.6</b>	<b>794</b>	<b>1.9</b>
<b>Noncurrent liabilities</b>	<b>-15</b>	<b>-0.1</b>	<b>8</b>	<b>0.0</b>
of which financial indebtedness	-	-	-	-
<b>Current liabilities</b>	<b>-213</b>	<b>-1.0</b>	<b>-338</b>	<b>-1.7</b>
of which financial indebtedness	-	-	-	-
<b>Total equity and liabilities</b>	<b>28</b>	<b>0.0</b>	<b>464</b>	<b>0.5</b>
<b>Payments received from divestitures</b>	<b>712</b>		<b>2,225</b>	
Further effects in connection with divestitures <sup>c</sup>	-21		-1,195	
<b>Payments received from divestitures according to statement of cash flows</b>	<b>691</b>		<b>1,030</b>	

<sup>a</sup> Proportional share in relation to the BASF Group

<sup>b</sup> Includes €21 million from the divested disposal group of the wind farm share in 2022, and €33 million from the divested disposal group of the pigments business in 2021

<sup>c</sup> Includes disposals from cash and cash equivalents in 2022 and project-related tax payments and derecognition of cash and cash equivalents in 2021

#### Agreed transactions

On July 19, 2022, BASF and ASC Investment Sarl, Luxembourg, signed an agreement on the sale of BASF's production site in De Meern, Netherlands, to ASC. The site produces nickel-based catalysts and is part of the Catalysts division. The transaction mainly covers production facilities, including the associated infrastructure and inventories, as well as the transfer of the employees working at the site. With the agreement on the sale, the affected assets were tested for impairment. To that end, the fair value less expected cost of disposal was determined and compared with the carrying amount of the assets. This resulted in the need for impairment in the amount of €95 million as of December 31, 2022. The transaction is expected to close in the first quarter of 2023.

#### 4 BASF Group list of shares held pursuant to section 313(2) of the German Commercial Code (HGB)

The list of consolidated companies and the complete list of all companies in which BASF SE holds shares as required by section 313(2) HGB as well as information on the exemption of subsidiaries from accounting and disclosure obligations are an integral component of the audited Consolidated Financial Statements submitted to the electronic Federal Gazette (Bundesanzeiger). The list of shares held is also published online.

For more information, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

#### 5 Reporting by segment and region

The BASF Group's business is run by 11 divisions, structured in six segments:

- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Resins, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

The divisions are allocated to the segments based on their business models and according to their focal points, customer groups, the focus of their innovations, their investment relevance and sustainability aspects.

The **Chemicals** segment comprises the Petrochemicals and Intermediates divisions and is the cornerstone of BASF's Verbund structure. It supplies the other segments with basic chemicals and intermediates, thereby contributing to the organic growth of the BASF Group. In addition to internal transfers, the segment mainly serves customers in downstream industries, especially in the chemical and plastics industries. The segment's competitiveness is strengthened by technological leadership and operational excellence, process and product innovations as well as the development of sustainable technologies.

The **Materials** segment is composed of the Performance Materials and the Monomers divisions. The segment offers advanced materials and their precursors for new applications and systems. Its product portfolio includes isocyanates and polyamides as well as inorganic basic products and specialties for plastics and plastics processing. In addition to specific technological knowledge, industry expertise and customer proximity, particularly products that contribute to the circular economy as well as sustainable production methods help differentiate BASF from its competitors.

The **Industrial Solutions** segment consists of the Dispersions & Resins and the Performance Chemicals divisions. The segment develops and markets ingredients and additives for industrial applications, such as polymer dispersions, resins, electronic materials, antioxidants and additives. As part of the sustainability strategy, the segment's focus is on the creation of more efficient production structures and processes that better conserve resources. Its customers come from key industries such as automotive, plastics and electronics.

The **Surface Technologies** segment bundles chemical solutions for surfaces in the Catalysts and Coatings divisions. Its portfolio range serves the automotive and chemical industries and includes catalysts, battery materials, automotive OEM and refinish coatings, surface treatment, and precious and base metal services. Innovations and solutions customized in collaboration with our customers in the field of sustainable mobility are growth drivers for this segment.

The **Nutrition & Care** segment comprises the Care Chemicals division and the Nutrition & Health division. This segment produces ingredients for consumer applications in the areas of nutrition, home and personal care. Its customers include food and feed producers as well as the pharmaceutical, cosmetics, and the detergent and cleaner industries. The segment's competitiveness is strengthened, among other things, by focusing on trends in digitalized business models and sustainability in the consumer goods markets, the latter through expansion of the portfolio with bio-based and biodegradable products, for example.

The **Agricultural Solutions** segment consists of the division of the same name. As an integrated provider, its portfolio comprises fungicides, herbicides, insecticides and biological crop protection products, as well as seeds and seed treatment products. Furthermore, Agricultural Solutions offers farmers innovative and sustainable solutions based on digital technologies combined with practical advice.

Activities that are not allocated to any of the divisions are recorded under **Other**. These include other businesses which comprise commodity trading, engineering and other services, as well as rental income and leases. Discontinued operations and certain activities remaining after divestitures are also reported here.

The following activities are also presented under Other:

- The steering of the BASF Group by corporate headquarters.
- Cross-divisional corporate research, which includes plant biotechnology research, works on long-term topics of strategic importance to the BASF Group. Furthermore, it focuses on the development of specific key technologies, which are of overriding importance for the divisions.
- Trade with renewable energies as well as the activities of the Net Zero Accelerator unit established on January 1, 2022, which bundles cross-company projects to achieve climate protection targets.
- Results from currency translation that are not allocated to the segments; earnings from the hedging of raw materials prices and foreign currency exchange risks; and gains and losses from the long-term incentive programs (LTI programs).
- Remanent fixed costs resulting from organizational changes or restructuring; function and region-related restructuring costs not allocated to a division; idle capacity costs from internal human resource platforms; and consolidation effects that cannot be allocated to the divisions.

#### Income from operations (EBIT) of Other

Million €	2022	2021
Costs for cross-divisional corporate research	–326	–355
Costs of corporate headquarters	–258	–255
Other businesses <sup>a</sup>	–46	62
Foreign currency results, hedging and other measurement effects	33	–62
Miscellaneous income and expenses	74	–149
<b>Income from operations of Other<sup>a</sup></b>	<b>–523</b>	<b>–759</b>

<sup>a</sup> The polyolefins and styrenics businesses of the joint venture BASF-YPC Company Ltd., Nanjing, China, which had been reported under Other, were allocated to the Petrochemicals division as of January 1, 2022. The prior-year figures have been adjusted.

**Income from operations of Other** improved by €236 million year on year to –€523 million. This resulted mainly from miscellaneous income and expenses, which included special income in the amount of €256 million from the disposal of shares in the Hollandse Kust Zuid offshore wind farm. Foreign currency results, hedging and other measurement effects improved by a total of €94 million, primarily due to income from the long-term incentive programs following expenses in the previous year as well as higher income from hedging transactions. Furthermore, costs for cross-divisional corporate research was €29 million lower than the prior-year figure. Income from other businesses was €108 million lower, which had an offsetting effect.

The same accounting rules are used for segment reporting as those used for the Group, which are presented in these Notes. Transfers between the segments are generally executed at adjusted market-based prices, taking into account the higher cost efficiency and lower risk of intragroup transactions. Assets, as well as their depreciation and amortization, are allocated to the segments based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

Income from operations (EBIT) before special items is used for the internal steering of the segments and complements the key management indicator, return on capital employed (ROCE). It is determined based on EBIT, which is calculated from gross profit on sales, selling expenses, general administrative expenses, research and development expenses, other operating income and expenses, and income from integral companies accounted for using the equity method. To calculate EBIT before special items, this figure is then adjusted for special items. Special items arise from the integration of acquired businesses, restructuring costs, impairments and reversals of impairments, gains or losses on divestitures and sales of integral investments accounted for using the equity method, as well as other expenses and income that arise outside of ordinary business activities. EBIT and EBIT before special items are alternative performance measures that are not defined under IFRS and are to be considered as being complementary to the indicators defined by IFRS.

**Reconciliation of the assets of Other to the assets of the BASF Group**

Million €

	December 31, 2022	December 31, 2021
<b>Segment assets<sup>a</sup></b>	<b>67,670</b>	<b>64,375</b>
Assets of businesses included in Other <sup>a</sup>	2,713	3,088
Other financial assets and non-integral investments accounted for using the equity method	5,765	10,418
Deferred tax assets	880	2,600
Cash and cash equivalents / marketable securities	2,748	2,832
Defined benefit assets	792	661
Other receivables / prepaid expenses	3,906	3,407
<b>Assets of Other<sup>a</sup></b>	<b>16,803</b>	<b>23,007</b>
<b>Assets of the BASF Group</b>	<b>84,472</b>	<b>87,383</b>

a Adjusted prior-year figures (see footnote a on page 220)

**Reconciliation of segment income to income before income taxes**

Million €

	2022	2021
EBIT before special items of the segments <sup>a</sup>	7,627	8,529
EBIT before special items of Other <sup>a</sup>	-749	-761
<b>EBIT before special items</b>	<b>6,878</b>	<b>7,768</b>
Special items of the segments	-556	-93
Special items of Other	226	3
<b>Special items</b>	<b>-330</b>	<b>-91</b>
EBIT of the segments <sup>a</sup>	7,070	8,435
EBIT of Other <sup>a</sup>	-523	-759
<b>EBIT</b>	<b>6,548</b>	<b>7,677</b>
Net income from shareholdings	-4,939	207
Financial result	-418	-436
<b>Income before income taxes</b>	<b>1,190</b>	<b>7,448</b>

a Adjusted prior-year figures (see footnote a on page 220)

**Segments 2022**

Million €

	Chemicals	Materials	Industrial Solutions	Surface Technologies	Nutrition & Care	Agricultural Solutions	Other	BASF Group
Sales	14,895	18,443	9,992	21,283	8,066	10,280	4,368	87,327
Intersegment transfers	4,860	1,742	507	198	588	40	139	8,074
Sales including transfers	19,754	20,186	10,499	21,481	8,654	10,320	4,508	95,401
Income from integral companies accounted for using the equity method	269	25	6	91	8	–	–14	386
Income from operations (EBIT)	1,758	1,776	1,097	612	605	1,221	–523	6,548
Assets	10,481	10,864	6,318	14,899	8,038	17,071	16,803	84,472
of which goodwill	210	196	635	2,404	883	3,299	68	7,696
other intangible assets	64	565	142	1,024	322	3,414	45	5,577
property, plant and equipment	5,520	4,833	1,998	3,977	2,996	2,658	986	22,967
integral investments accounted for using the equity method	1,094	214	15	537	40	–	455	2,356
Liabilities	3,228	3,979	2,140	3,860	2,751	3,975	23,618	43,550
Research and development expenses	93	201	172	335	172	944	381	2,298
Additions to property, plant and equipment and intangible assets (including acquisitions)	1,701	880	322	740	642	414	268	4,967
Depreciation and amortization of property, plant and equipment and intangible assets	1,013	884	346	651	450	701	155	4,200
of which impairments	214	47	3	103	11	10	7	393
reversals of impairments	0	0	1	–	1	16	3	20

**Segments 2021**

Million €

	Chemicals	Materials	Industrial Solutions	Surface Technologies	Nutrition & Care	Agricultural Solutions	Other	BASF Group
Sales	13,579	15,214	8,876	22,659	6,442	8,162	3,666	78,598
Intersegment transfers	4,269	1,250	420	171	491	40	120	6,761
Sales including transfers	17,848	16,464	9,296	22,831	6,933	8,202	3,786	85,358
Income from integral companies accounted for using the equity method	528 <sup>a</sup>	20	9	94	6	–	17 <sup>a</sup>	675
Income from operations (EBIT)	3,115 <sup>a</sup>	2,345	965	761	554	696	–759 <sup>a</sup>	7,677
Assets	10,482 <sup>a</sup>	11,286	6,302	13,769	7,231	15,305	23,007 <sup>a</sup>	87,383
of which goodwill	199	189	631	2,373	874	3,187	66	7,520
other intangible assets	55	632	172	1,104	379	3,596	41	5,980
property, plant and equipment	4,734	4,732	2,025	3,817	2,716	2,570	959	21,553
integral investments accounted for using the equity method	1,313 <sup>a</sup>	212	21	484	42	–	468 <sup>a</sup>	2,540
Liabilities	3,820	4,372	2,621	3,678	3,146	4,091	23,573	45,301
Research and development expenses	97	193	175	296	172	904	378	2,216
Additions to property, plant and equipment and intangible assets (including acquisitions)	1,157	709	361	1,469	654	347	183	4,881
Depreciation and amortization of property, plant and equipment and intangible assets	767	817	380	483	413	662	157	3,678
of which impairments and reversals of impairments <sup>b</sup>	31	33	43	9	6	8	14	144

<sup>a</sup> Adjusted values (see footnote a on page 220)<sup>b</sup> Impairments and reversals of impairments included reversals of impairments of €12 million in Industrial Solutions in 2021.

**Regions 2022**

Million €

	Europe	Of which Germany	North America	Asia Pacific	South America, Africa, Middle East	BASF Group
<b>Location of customer</b>						
Sales	33,922	8,977	23,869	21,823	7,712	87,327
Share	% 38.8	10.3	27.3	25.0	8.8	100.0
<b>Location of company</b>						
Sales	35,821	15,170	24,343	21,309	5,854	87,327
Assets	40,343	25,296	20,600	18,689	4,841	84,472
of which intangible assets	5,910	3,041	5,697	1,371	295	13,273
property, plant and equipment	10,427	6,405	5,702	6,168	670	22,967
integral investments accounted for using the equity method	479	10	130	1,747	–	2,356
Additions to property, plant and equipment and intangible assets (including acquisitions)	2,173	1,321	1,032	1,621	141	4,967
Depreciation and amortization of property, plant and equipment and intangible assets including impairments and reversals of impairments	2,133	1,407	1,208	728	132	4,200

In the United States, sales to third parties in 2022 amounted to €21,319 million (2021: €19,583 million) according to location of companies and €20,585 million (2021: €18,277 million) according to location of customers. On December 31, 2022, the carrying amounts of intangible assets, property, plant and equipment, and investments accounted for using the equity method amounted to €10,937 million (2021: €10,466 million) in the United States.

In China, sales to third parties in 2022 amounted to €11,216 million (2021: €11,380 million) according to location of companies and €11,022 million (2021: €11,408 million) according to location of customers. On December 31, 2022, the carrying amounts of intangible assets, property, plant and equipment, and investments accounted for using the equity method amounted to €6,457 million (2021: €5,613 million) in China.

As a result of Russia's war of aggression against Ukraine, BASF has largely suspended its business activities in Russia and Belarus with the exception of business to support food production. In this context, expenses were incurred in the amount of €72 million, including impairments on property, plant and equipment of €14 million. As of December 31, 2022, the carrying amounts of property, plant and equipment in Russia amounted to €3 million.



**Regions 2021**

Million €

	Europe	Of which Germany	North America	Asia Pacific	South America, Africa, Middle East	BASF Group
<b>Location of customer</b>						
Sales	30,531	7,300	20,867	21,234	5,965	78,598
Share	% 38.8	9.3	26.5	27.0	7.6	100.0
<b>Location of company</b>						
Sales	31,594	12,722	21,935	20,632	4,437	78,598
Assets	46,012	30,837	19,324	18,020	4,026	87,383
of which intangible assets	6,674	3,675	5,348	1,187	292	13,499
property, plant and equipment	10,209	6,394	5,415	5,336	592	21,553
integral investments accounted for using the equity method	479	400	118	1,943	–	2,540
Additions to property, plant and equipment and intangible assets (including acquisitions)	2,484	1,512	845	1,468	83	4,881
Depreciation and amortization of property, plant and equipment and intangible assets including impairments and reversals of impairments	1,764	1,138	1,146	663	105	3,678


## 6 Earnings per share

### Earnings per share

		2022	2021
Income after taxes from continuing operations	Million €	-391	6,018
of which noncontrolling interests	Million €	236	459
<b>Net income from continuing operations</b>	<b>Million €</b>	<b>-627</b>	<b>5,559</b>
Income after taxes from discontinued operations	Million €	-	-36
of which noncontrolling interests	Million €	-	-
<b>Net income from discontinued operations</b>	<b>Million €</b>	<b>-</b>	<b>-36</b>
Income after taxes	Million €	-391	5,982
of which noncontrolling interests	Million €	236	459
<b>Net income</b>	<b>Million €</b>	<b>-627</b>	<b>5,523</b>
Weighted average number of outstanding shares	1,000	901,754	918,479
Dilution effect from BASF's "plus" incentive share program	1,000	1,573	2,008
<b>Weighted average number of shares for diluted earnings per share</b>	<b>1,000</b>	<b>903,327</b>	<b>920,486</b>
<b>Earnings per share</b>			
From continuing operations	€	-0.70	6.05
Diluted	€	-0.70	6.04
From discontinued operations	€	-	-0.04
Diluted	€	-	-0.04
From continuing and discontinued operations	€	-0.70	6.01
Diluted	€	-0.70	6.00

In accordance with IAS 33, earnings per share are determined by dividing earnings attributable to shareholders of BASF SE by the weighted average of outstanding shares. The average number of outstanding shares declined compared with 2021 due to the share buyback program in 2022. Pursuant to IAS 33, a potential dilutive effect must be considered in the **diluted earnings per share** for those BASF shares that will be granted in the future as part of BASF's "plus" share program. This applies regardless of the fact that the necessary shares are acquired on the market by third parties on behalf of BASF and that there are no plans to issue new shares.

No dilutive effect arose from the issue of "plus" shares in 2022 (2021: €0.01).

 For more information on the share buyback program, see Note 19 from page 254 onward and on page 177 in the Corporate Governance Report

## 7 Sales revenue

Sales revenue from contracts with customers is recognized in the amount of the consideration BASF expects to receive in exchange for the goods or services when the customer obtains control of the goods or services. Control is considered to be transferred when the customer can direct the use of the goods or services and can obtain all substantial remaining benefits from them.

BASF primarily generates income from the sale of goods. Because the customer obtains control of the goods at a specific point in time, the corresponding sales revenue is recognized based on a given point in time. Determination of this point in time occurs in the context of an overall assessment of the circumstances which considers the existence of a present claim to payment, the legal title to the goods, actual physical possession of the goods, the transfer of risks and rewards as well as customer acceptance. The transfer of risks and rewards takes into account the underlying terms of delivery (especially Incoterms) and is of particular practical significance. According to these principles, sales revenue from the sale of goods is generally recognized upon delivery. If products are delivered to a consignment warehouse, BASF normally retains control of the goods. Accordingly, sales revenue is not recognized until the customer collects the goods from the consignment warehouse. Long-term supply agreements usually contain variable prices, which depend, among other factors, on the development of raw materials prices, and variable volumes.

Services rendered to customers by BASF are invoiced according to work completed and recognized as revenue accordingly.

BASF generates a portion of its sales revenue from license agreements. Sales revenue from license agreements is recognized based on a point in time or a period of time depending on whether the licensee is being granted a right to use (revenue recognized at a point in time) or a right to access (revenue recognized over time) the intellectual property of BASF. Revenues from sales and usage-based royalties are recognized when the underlying sale or usage occurs.

Sales revenue from the sale of precious metals to industrial customers is recognized on delivery and the corresponding purchase prices are recorded as cost of sales. In the trading of precious metals and their derivatives with traders, where there is usually no physical delivery, revenues are netted against the corresponding costs.

If a consideration that is contractually agreed upon by a customer includes variable components, BASF estimates the amount of the consideration. Variable components are recognized as revenue only to the extent that it is highly probable that previously recognized sales revenue will not have to be cancelled as soon as there is no longer uncertainty about the actual amount of the consideration. Primarily rebates and other discounts are recognized as a reduction in revenue in accordance with the principle of individual measurement. BASF grants customers rebates if the goods purchased by the customer exceed a contractually defined threshold within the period specified. Rebates are usually deducted from amounts payable by the customer. Taking into account the specific terms of the underlying contract, BASF uses the expected value method or the most likely amount to estimate a variable consideration amount. The method is selected based primarily on number of possible results such as the number of volume thresholds with rebates. All available information, particularly historical values, is used for making estimates.

In some contracts, BASF grants the customer the right to return goods within a specific period of time, even if they meet the agreed specifications (sale with right of return). The actual expected amount of the consideration BASF is entitled to receive in this case is estimated using the expected value method. Refund liabilities are recognized in the amount of considerations paid by the customer for goods that are expected to be returned.

BASF opts to apply the practical expedient in IFRS 15.63 to not adjust the amount of the agreed consideration for the effects of a material financing component if, at the beginning of a contract, no more than one year is expected to lapse between the transfer of control of the goods or services and payment by the customer.

BASF also applies the practical expedient in IFRS 15.121 of not reporting information on remaining performance obligations resulting from a contract with a maximum expected original term of one year. Furthermore, information on performance obligations is not reported if the resulting revenue is recognized in accordance with IFRS 15.B16.

**Sales by division and by indication and sector**

Million €


	2022	2021
Petrochemicals	10,546	9,674
Intermediates	4,349	3,904
<b>Chemicals</b>	<b>14,895</b>	<b>13,579</b>
Performance Materials	8,567	7,292
Monomers	9,877	7,922
<b>Materials</b>	<b>18,443</b>	<b>15,214</b>
Dispersions & Resins	6,019	5,681
Performance Chemicals	3,973	3,195
<b>Industrial Solutions</b>	<b>9,992</b>	<b>8,876</b>
Catalysts	17,062	19,219
Coatings	4,220	3,440
<b>Surface Technologies</b>	<b>21,283</b>	<b>22,659</b>
Care Chemicals	5,619	4,439
Nutrition & Health	2,447	2,003
<b>Nutrition &amp; Care</b>	<b>8,066</b>	<b>6,442</b>
Fungicides	2,977	2,449
Herbicides	3,568	2,526
Insecticides	1,057	926
Seed Treatment	806	620
Seeds & Traits	1,872	1,641
<b>Agricultural Solutions</b>	<b>10,280</b>	<b>8,162</b>
<b>Other</b>	<b>4,368</b>	<b>3,666</b>
<b>BASF Group</b>	<b>87,327</b>	<b>78,598</b>

Sales revenue of €43 million, that was included in contract liabilities as of January 1, 2022, was recognized in 2022.

Sales revenue for the 2022 fiscal year includes €175 million from performance obligations satisfied in prior periods.

## 8 Functional costs

Under the cost of sales method, functional costs incurred by the operating functions are determined on the basis of cost center accounting. The functional costs particularly contain the personnel costs, depreciation and amortization accumulated on the underlying final cost centers as well as allocated costs within the cost accounting cycle. Operating expenses that cannot be allocated to the functional costs are reported as other operating expenses.

 For more information on other operating expenses, see Note 9 from page 229 onward

### Cost of sales

Cost of sales includes all production and purchase costs of the company's own products as well as merchandise that has been sold in the period, particularly plant, energy and personnel costs.

### Selling expenses

Selling expenses primarily include marketing and advertising costs, freight costs, packaging costs, distribution management costs, commissions and licensing costs.

### General administrative expenses

General administrative expenses include the costs of the Corporate Center, of general management, the Board of Executive Directors and the Supervisory Board. They also include the costs of managing operating divisions and business units as well as the costs of the supporting services in departments such as accounting, legal, taxes and controlling.

### Research and development expenses

Research and development expenses include the costs resulting from research projects as well as the necessary license fees for research activities.

 For more information on research and development expenses by segment, see Note 5 from page 219 onward

## 9 Other operating income and expenses

### Other operating income

Million €

	2022	2021
Income from the adjustment and release of provisions recognized in other operating expenses	141	241
Revenue from miscellaneous other activities	180	180
Income from hedging transactions and LTI programs	177	30
Income from foreign currency transactions and the translation of financial statements in foreign currencies	58	49
Gains on divestitures and the disposal of noncurrent assets	301	175
Reversals of impairment losses on noncurrent assets	18	13
Income from the reversal of valuation allowances for business-related receivables	36	32
Gains/losses from precious metal trading	282	388
Other	615	784
<b>Other operating income</b>	<b>1,808</b>	<b>1,894</b>

**Income from the adjustment and release of provisions recognized in other operating expenses** arose in 2022, as in the previous year, from the release of provisions in connection with the restructuring of the Global Business Services unit. Furthermore, income resulted from a restructuring of the global glufosinate-ammonium production network in North America. In both years, income also resulted from the adjustment to provisions for risks from lawsuits and damage claims, closures and restructuring measures, employee obligations, and various other individual items as part of the normal course of business. Provisions were reversed or adjusted if, based on the circumstances on the balance sheet date, utilization was no longer expected, or expected to a lesser extent.

In both years, **revenue from miscellaneous other activities** primarily included income from rentals, catering operations, cultural events and logistics services.

The increase in **income from hedging transactions and LTI programs** in 2022 was mainly attributable to income from virtual power purchase agreements and from hedges for raw materials in

North America. In addition, income resulted in 2022 from the release of provisions for the long-term incentive (LTI) programs in the amount of €24 million. By contrast, expenses were incurred in 2021 for additions to these provisions.

**Income from foreign currency transactions and the translation of financial statements in foreign currencies** related to the translation of receivables and liabilities in foreign currencies and included income from the translation of companies' financial statements whose local currency is different from the functional currency.

**Gains on divestitures and the disposal of noncurrent assets** in 2022 were mainly from the sale of 51% of shares in the company holding the interest in the Hollandse Kust Zuid wind farm and the sale of the production site in Quincy, Florida. Gains resulted in 2021 from the sale of a production site in Kankakee, Illinois, the sale of the share in the condensate splitter in Port Arthur, Texas, and the sale of the precision microchemicals business.

 For more information, see Note 3 from page 216 onward

**Reversals of impairment losses on noncurrent assets** arose in 2022 in connection with the divestiture of a site in North America that had previously been fully impaired. In 2021, these were attributable to the divestiture of the production site in Quincy, Florida, and the associated attapulgite business.

**Income from the reversal of valuation allowances for business-related receivables** resulted both from the reversal of impairments for settled customer receivables for which impairments had been recorded previously as well as from adjusted expectations regarding default on individual customer receivables.

**Other income** included refunds in the amount of €169 million in 2022 and €211 million in 2021. This was due in both years to government grants in multiple countries, regional business development subsidies in China, and transaction tax refunds in Brazil. Additional income resulted in 2022 from damage compensation relating to hurricane Ida and extreme cold spells in North America in 2021. In 2021, additional income included compensation for environmental impact in the amount of €165 million and special income from the sale of non-capitalized know-how in the amount of €50 million.

#### Other operating expenses

Million €

	2022	2021
Restructuring and integration measures	486	461
Environmental protection and safety measures, costs of demolition and removal, and project costs not subject to mandatory capitalization	411	523
Depreciation, amortization and impairments of noncurrent assets and of the disposal groups	409	135
Costs from miscellaneous revenue-generating activities	171	150
Expenses from hedging transactions and LTI programs	61	62
Losses from foreign currency transactions and the translation of financial statements in foreign currencies	326	163
Losses from divestitures and the disposal of noncurrent assets	51	46
Expenses from the addition of valuation allowances on business-related receivables	31	107
Expenses for derecognition of obsolete inventory	437	290
Other	901	714
<b>Other operating expenses</b>	<b>3,283</b>	<b>2,650</b>

In 2022, expenses from **restructuring and integration measures** were attributable to the adjustment of business activities in Russia in the amount of €58 million, the carve-out of the BASF Environmental Catalyst and Metal Solutions unit within the Catalysts division, and as in the previous year, to global restructuring activities to improve competitiveness in various operating divisions. Expenses in both years also related to site closures in Europe and North America.

Expenses from integration measures in the amount of €32 million in 2022 and €7 million in 2021 related to the integration of the battery materials business, which had been acquired in 2021. In 2021, these also included expenses in the amount of €21 million for the integration of the global polyamide business, which had been acquired from Solvay in 2020.

 For more information, see Note 3 from page 216 onward

**Environmental protection and safety measures, costs of demolition and removal, and project costs not subject to mandatory capitalization** were expensed if requirements for mandatory capitalization pursuant to IFRS were not met. Expenses for demolition, removal and project planning totaled €352 million in 2022 and €257 million in 2021 and mainly related to the Ludwigshafen site in Germany in both years. Further expenses arose in 2022 from the development of the new Verbund site in China and the battery materials business in Schwarzheide, Germany. Additionally, expenses of €59 million in 2022 and €266 million in 2021 arose from additions to environmental provisions. In both years, these concerned several discontinued sites in North America.

**Depreciation, amortization and impairments of noncurrent assets and of the disposal groups** in 2022 included impairments in the amount of €393 million relating primarily to plants in Ludwigshafen, Germany, and De Meern, Netherlands. In 2021, impairments amounted to €116 million due primarily to the closure of a plant in North America and impairments of plants in Asia. Impairments to construction in progress from discontinued investment projects were also included in both years.

For more information, see Note 14 from page 242 onward and Note 15 from page 246 onward

**Costs from miscellaneous revenue-generating activities** relate to the corresponding items presented in other operating income.

**Expenses from hedging transactions and LTI programs** in 2022 only included expenses from hedging transactions, primarily attributable to expenses for option premiums used to hedge natural gas purchases. In 2021, this item included expenses from LTI programs in the amount of €37 million. Further expenses resulted from changes in the fair value of currency derivatives and other hedging transactions in both years.

**Losses from divestitures and the disposal of noncurrent assets** were mainly due to the agreed divestiture of the De Meern site in the Netherlands in 2022 and to the divestiture of the global pigments business in 2021.

**Expenses from the addition of valuation allowances on business-related receivables** were significantly lower than in the previous year, in which valuation allowances had arisen particularly in connection with a transaction tax in Brazil.

In both years, **other expenses** included expenses for litigation, for REACH, for the provision of services and for warranties. Furthermore, other expenses for societal engagement and in connection with the coronavirus pandemic arose in both years.

## 10 Investments accounted for using the equity method and other financial assets

Joint ventures and associated companies are accounted for using the equity method. The carrying amounts of shareholdings are adjusted annually based on the pro rata share of net income, dividends and other changes in equity. Should there be indications of a reduction in the value of an investment, an impairment test is conducted and, if necessary, an impairment is recognized in the income statement. In the case of publicly listed associated companies, share prices are included in the impairment test and form the basis of valuation if there is an indication for permanent impairment or reversal of an impairment. Furthermore, earnings and the carrying amount are adjusted when accounting policies deviate or as a result of purchase price allocations, which primarily affects Wintershall Dea AG, Kassel/Hamburg, Germany.

Exploration and development expenses in the oil and gas business, for which the equity method is applied, are accounted for using the successful efforts method. Under this method, costs of successful exploratory drilling as well as successful and dry development wells are capitalized.

Income from integral companies accounted for using the equity method is presented in EBIT, and income from non-integral companies accounted for using the equity method is presented together with income from other financial assets in net income from shareholdings. Similarly, integral and non-integral shareholdings accounted for using the equity method are also shown separately in the balance sheet. The material equity-accounted shareholding that is classified as integral is BASF-YPC Company Ltd., Nanjing, China, in which BASF and Sinopec each hold 50%, and which operates the Verbund site in Nanjing, China. The material non-integral shareholding is the Wintershall Dea AG oil and gas company, in which BASF holds a 72.7% share. The remaining shares are held by LetterOne. Wintershall Dea is classified as an associated company because, in addition to BASF and LetterOne, independent members are also represented in the board responsible for decisions about

relevant activities and BASF can thus only exercise significant influence.

Stahl Lux 2 S.A., Luxembourg (BASF interest: 16.32%), Quantafuel ASA, Oslo, Norway (BASF interest: 9.51%), and CIMO Compagnie industrielle de Monthey S.A., Monthey, Switzerland (BASF interest: 15%), are classified as associated companies as BASF is represented in the relevant boards and can thus exercise significant influence over the companies.

### 10.1 Integral companies accounted for using the equity method

#### Income from integral companies accounted for using the equity method

Million €

	2022	2021
Proportional income after taxes	388	669
of which joint ventures	362	593
associated companies	26	76
Other adjustments to income and expenses	-2	6
of which joint ventures	-2	8
associated companies	0	-2
<b>Income from integral companies accounted for using the equity method</b>	<b>386</b>	<b>675</b>

**Income from integral companies accounted for using the equity method** decreased by €289 million in 2022. Of the decrease, €196 million related to the shareholding in BASF-YPC Company Ltd. and €41 million to BASF MPCC Company Ltd., Zhanjiang, China, primarily due to higher raw materials prices and lower volumes. In addition, negative earnings contributions resulted at Lucura Versicherings AG, Ludwigshafen am Rhein, Germany, due to losses from the valuation of securities. Lucura's earnings contribution was positive in 2021.

#### Reconciliation of the carrying amounts of integral shareholdings accounted for using the equity method

Million €

	Joint ventures		Associated companies	
	2022	2021	2022	2021
<b>Carrying amounts according to the equity method as of the beginning of the year</b>	<b>1,839</b>	<b>1,297</b>	<b>701</b>	<b>581</b>
Proportional income after taxes and other adjustments to income and expenses	360	601	26	74
Proportional changes in other comprehensive income	57	109	-15	18
<b>Total comprehensive income</b>	<b>417</b>	<b>710</b>	<b>11</b>	<b>92</b>
Changes in the scope of consolidation	-	-	-359	-
Additions	382	12	40	614
Disposals	-	-	-4	-13
Transfers	-531	-180	-140	-573
<b>Carrying amounts according to the equity method as of the end of the year</b>	<b>2,107</b>	<b>1,839</b>	<b>249</b>	<b>701</b>

**Proportional income after taxes and other adjustments to income and expenses** for the joint ventures decreased mainly because of the lower earnings contribution of BASF-YPC Company Ltd.

**Changes in the scope of consolidation** resulted from the transition to full consolidation of Lucura Versicherings AG as of December 31, 2022, due to the increased significance of the company.

**Proportional changes in other comprehensive income** included income and expense recognized directly in equity and related, in addition to currency effects, to changes in the fair value of derivatives in connection with long-term power supply agreements, particularly at the HKZ Investor Holding B.V. joint venture in Arnhem, Netherlands.

**Additions** in 2022 mainly related to the shareholding in the HKZ Investor Holding B.V. joint venture. The company holds shares in the Hollandse Kust Zuid offshore wind farm and manages the power supply agreements with the wind farm. As a result of the sale of 51% of shares in HKZ Investor Holding B.V. as of April 12, 2022,

it will no longer be controlled solely by BASF, but jointly with Allianz, and, as an integral joint venture, accounted for using the equity method.

**Disposals** related to decreases in capital of the associated company, Yara Freeport LLC, Freeport, Texas.

**Transfers** in 2022 mainly included dividend payments for BASF-YPC Company Ltd. (joint venture) and Markor Meiou Chemical (Xinjiang) Co., Ltd., Korla, China (associated company).



**Additional information on the BASF-YPC Company Ltd. material integral investment accounted for using the equity method**
**Financial information on BASF-YPC Company Ltd., Nanjing, China (100%)**

Million €

	December 31, 2022	December 31, 2021
<b>Balance sheet</b>		
Noncurrent assets	969	960
Current assets	1,224	1,702
of which marketable securities, cash and cash equivalents	416	747
<b>Assets</b>	<b>2,193</b>	<b>2,662</b>
Equity	1,874	2,296
Noncurrent liabilities	4	3
of which financial indebtedness	–	–
Current liabilities	315	363
of which financial indebtedness	–	–
<b>Total equity and liabilities</b>	<b>2,193</b>	<b>2,662</b>
<b>Statement of income</b>		
Sales revenue	3,554	3,615
Amortization/impairment and reversals of impairments	–143	–179
Interest income	17	7
Interest expenses	–1	–1
Income taxes	–142	–273
Income after taxes and other adjustments to income and expenses	428	818
Changes in other comprehensive income	–49	205

Income from non-integral companies accounted for using the equity method decreased by €5,170 million in 2022 due primarily to the negative earnings contribution of Wintershall Dea AG.

Due to government intervention, among other things, there are growing limitations on the influence Wintershall Dea can exert on its

shareholdings in Russia. For this reason, Wintershall Dea deconsolidated its shareholdings in Russia in the fourth quarter of 2022. The fair value adjustments carried forward at BASF from 2019 until that point were also derecognized. In turn, Wintershall Dea recognized its shareholdings as financial assets at fair value in accordance with IFRS 9. Interventions by the Russian government, particularly in

**Reconciliation of the carrying amount of the shareholding in BASF-YPC Company Ltd.**

Million €

	2022	2021
BASF interest	50%	50%
<b>Carrying amount as of the beginning of the year</b>	<b>1,148</b>	<b>710</b>
Proportional income after taxes and other adjustments to income and expenses	213	409
Proportional changes in other comprehensive income	–25	103
Capital increase	31	–
Dividends received	–429	–74
<b>Carrying amount as of the end of the year</b>	<b>938</b>	<b>1,148</b>

**10.2 Non-integral companies accounted for using the equity method**
**Income from non-integral companies accounted for using the equity method**

Million €

	2022	2021
Proportional income after taxes	–3,514	435
of which joint ventures	–	–
associated companies	–3,514	435
Other adjustments to income and expenses	–1,371	–739
of which joint ventures	–	–
associated companies	–1,371	–739
Income from the divestiture of shares in Solenis	–	589
<b>Income from non-integral companies accounted for using the equity method</b>	<b>–4,885</b>	<b>285</b>

the second half of 2022, had a severe negative impact on this value. Therefore, the initial value of the financial assets in the amount of €248 million was significantly below the previous value contribution and led to deconsolidation losses in BASF's net income from shareholdings in the amount of €4,353 million (including previously recognized impairments). Moreover, Wintershall Dea recognized

impairments on further Russia-related assets: As a result of the damage to the Nord Stream 1 and Nord Stream 2 pipelines, the shareholding in Nord Stream AG (BASF interest after taxes €997 million) as well as financing of Nord Stream 2 (BASF share after taxes €729 million) were fully impaired over the course of 2022. In addition, impairments of €438 million (BASF share after taxes) on Wintershall Dea's gas transportation business were recognized in connection with the war in Ukraine and the resulting sanctions and counter-sanctions. Deconsolidation effects and Russia-related impairments totaled €6,517 million (BASF share after taxes) in income from non-integral equity-accounted companies.

Furthermore, Wintershall Dea recognized expenses for impairments and reversals of impairments on assets in Germany, Mexico, Egypt and Algeria in the total amount of €58 million (BASF share after taxes).

Values in use were determined for the impairment test conducted by BASF as of December 31, 2022. The underlying assumptions for production and cost trends as well as the price assumptions for 2023 to 2040 largely correspond with Wintershall Dea's. For 2023, an oil price of \$85 per bbl of Brent crude and a gas price (TTF) of \$35 per mmBtu were assumed. After a decline in oil prices to approximately \$71 per bbl in 2024, and in gas prices to around \$10 per mmBtu from 2024 to 2028, a subsequent increase is assumed at a nominal rate of 2% p.a. for both oil and gas. The expected cash flows were discounted using country-specific cost of capital rates, which reflect the relevant country risks and tax rates. The cost of capital rates in euros, calculated using the capital asset pricing model, were between 5.3% and 25.0% (2021: between 3.4% and 14.3%). On that basis, proportional impairments resulted in the amount of €11 million after taxes and reversals of impairments of €55 million after taxes on the fair value adjustments from 2019. The shareholding as a whole is recoverable.

Both a decrease of 10% in oil and gas price assumptions for the entire planning period and an increase of one percentage point in the cost of capital rate would not result in the need for an impairment of the shareholding as a whole. By contrast, a 10% price decrease would result in a decrease of €45 million (after taxes) in proportional reversals of impairments as well as in additional proportional impairments of €47 million after taxes. An increase in capital cost

rates of one percentage point would lead to lower proportional reversals of impairments of €31 million after taxes.

For more information on Wintershall Dea, see the chapter on Non-Integral Oil and Gas Business in the Management's Report from page 92 onward

#### Reconciliation of the carrying amounts of non-integral joint ventures accounted for using the equity method and associated companies

Million €

	Joint ventures		Associated companies	
	2022	2021	2022	2021
<b>Carrying amounts according to the equity method as of the beginning of the year</b>	–	10,199	9,843	675
Proportional income after taxes and other adjustments to income and expenses	–	–	–4,885	–304
Proportional changes in other comprehensive income	–	–	645	216
<b>Total comprehensive income</b>	–	–	–4,240	–88
Changes in the scope of consolidation	–	–	–	–18
Additions	–	–	–	–
Disposals	–	–	–	–
Transfers	–	–10,199	–958	9,274
<b>Carrying amounts according to the equity method as of the end of the year</b>	–	–	4,645	9,843

**Proportional income after taxes and other adjustments to income and expenses** for the associated companies declined mainly because of the negative earnings contribution of Wintershall Dea AG due to the impairments recognized as well as losses from the deconsolidation of its Russian shareholdings. Furthermore, an impairment on the shareholding in Quantafuel ASA is also included.

**Proportional changes in other comprehensive income** predominantly included currency effects at Wintershall Dea. With the deconsolidation of the Russian shareholdings held by Wintershall Dea, total differences arising from currency translation of €868 million were reclassified as earnings to the income statement.

**Transfers** in 2022 contained primarily Wintershall Dea's dividend payments. Transfers in 2021 mainly related to the reclassification of Wintershall Dea, which had been under joint control until October 2021, from joint ventures to associated companies.

### Additional information on the Wintershall Dea material non-integral investment accounted for using the equity method

The following table contains financial information on the Wintershall Dea material non-integral shareholding accounted for using the equity method, including adjustments for fair value made at initial recognition and the resulting effects on earnings.

#### Financial information on Wintershall Dea, Kassel/Hamburg, Germany (100%)

Million €

	December 31, 2022	December 31, 2021
<b>Balance sheet</b>		
Noncurrent assets	18,869	27,216
Current assets	5,690	4,666
of which marketable securities, cash and cash equivalents	3,089	2,106
<b>Assets</b>	<b>24,559</b>	<b>31,882</b>
Equity attributable to shareholders of Wintershall Dea AG	6,003	13,182
Subordinate bonds issued by Wintershall Dea	1,525	1,525
<b>Equity</b>	<b>7,528</b>	<b>14,707</b>
Noncurrent liabilities	9,473	12,039
of which financial indebtedness	3,067	4,055
Current liabilities	7,557	5,136
of which financial indebtedness	1,356	575
<b>Total equity and liabilities</b>	<b>24,559</b>	<b>31,882</b>
<b>Statement of income</b>	<b>2022</b>	<b>2021</b>
Sales revenue	18,866	7,804
Amortization/impairment and reversals of impairments	-4,285	-2,765
Interest income	190	135
Interest expenses	-38	-39
Income taxes	-3,357	-1,498
Income after taxes and other adjustments to income and expenses	-6,675	-473
Changes in other comprehensive income	882	296

#### Reconciliation of the carrying amount of the shareholding in Wintershall Dea

Million €

	2022	2021
BASF interest in equity attributable to shareholders of Wintershall Dea AG	72.7%	72.7%
<b>Carrying amount as of the beginning of the year</b>	<b>9,583</b>	<b>10,199</b>
Proportional income after taxes and other adjustments to income and expenses	-4,853	-344
Proportional changes in other comprehensive income	641	216
Dividends received	-1,007	-488
<b>Carrying amount as of the end of the year</b>	<b>4,364</b>	<b>9,583</b>

### 10.3 Other shareholdings and financial assets

#### Net income from other shareholdings

Million €	2022	2021
Dividends and similar income	26	32
Income from the disposal of / write-up of shareholdings	7	14
Income from profit transfer agreements / tax allocation to shareholdings	1	1
<b>Income from other shareholdings</b>	<b>34</b>	<b>47</b>
Expenses from loss transfer agreements	-79	-72
Write-downs on / losses from the sale of shareholdings	-10	-53
<b>Expenses from other shareholdings</b>	<b>-89</b>	<b>-125</b>
<b>Net income from other shareholdings</b>	<b>-55</b>	<b>-78</b>

Net income from other shareholdings in 2022 rose year on year by €23 million due primarily to lower expenses from the measurement of shareholdings at fair value.

#### Carrying amounts of other financial assets

Million €	Dec. 31, 2022	Dec. 31, 2021
Other shareholdings	539	514
Long-term securities	581	61
<b>Other financial assets</b>	<b>1,120</b>	<b>575</b>

The rise in long-term securities in 2022 resulted from the inclusion of Lucura Versicherungs AG, which has been fully consolidated since December 31, 2022.

## 11 Financial result

### Financial result

Million €

	2022	2021
Interest income from cash and cash equivalents	186	158
Interest and dividend income from securities and loans	10	10
<b>Interest income</b>	<b>196</b>	<b>168</b>
<b>Interest expenses</b>	<b>-629</b>	<b>-482</b>
<b>Interest result</b>	<b>-433</b>	<b>-314</b>
Reversals of write-downs on / income from securities and loans	6	16
Net interest income from other long-term personnel obligations	13	2
Income from the capitalization of borrowing costs	40	29
Interest income on income taxes	124	42
Miscellaneous financial income	0	6
<b>Other financial income</b>	<b>182</b>	<b>94</b>
Write-downs on / losses from securities and loans	-24	-5
Net interest expense from underfunded pension plans and similar obligations	-81	-82
Unwinding the discount on other noncurrent liabilities	-9	-9
Interest expenses on income taxes	-2	-24
Miscellaneous financial expenses	-52	-96
<b>Other financial expenses</b>	<b>-168</b>	<b>-215</b>
<b>Other financial result</b>	<b>15</b>	<b>-122</b>
<b>Financial result</b>	<b>-418</b>	<b>-436</b>

**Interest expenses** rose primarily because of increased interest rates and the higher balance of financial indebtedness.

**Net interest income from other long-term personnel obligations** increased due to the rise in the discount rate.

**Write-downs on / losses from securities and loans** increased mainly because of losses from the fair value measurement of securities.

The decline in **other financial expenses** was primarily due to lower net expenses associated with the translation of bonds and the valuation of the corresponding hedging instruments against interest and currency risks.

## 12 Income taxes

### Accounting policies

In Germany, a uniform corporate income tax rate of 15.0% as well as a solidarity surcharge of 5.5% thereon are levied on all distributed and retained earnings. In addition to corporate income tax, income generated in Germany is subject to a trade tax. It varies depending on the municipality in which the company is represented. The weighted average tax rate was 14.6% in 2022 (2021: 14.6%). The 30% rate used to calculate deferred taxes for German Group companies remained unchanged in 2022. The income of foreign Group companies is assessed using the tax rates applicable in their respective countries.

Deferred taxes are recorded for temporary differences between the carrying amount of assets and liabilities in the financial statements according to IFRS and the carrying amounts for tax purposes as well as for tax loss carryforwards and unused tax credits. These also comprise temporary differences arising from business combinations, with the exception of goodwill. Deferred tax assets and liabilities are calculated using the respective country-specific tax rates applicable for the period in which the asset or liability is realized or settled. Tax rate changes enacted or substantively enacted on or before the balance sheet date are taken into consideration.

Deferred tax assets are offset against deferred tax liabilities provided they are related to the same taxation authority. Surpluses of deferred tax assets are only recognized provided that the tax benefits are likely to be realized. The valuation of deferred tax assets is based on the probability of a reversal of the differences and the assessment of the ability to utilize tax loss carryforwards and unused tax credits. This depends on whether future taxable profits will exist during the period in which temporary differences are reversed and in which tax loss carryforwards and unused tax credits can be claimed. The assessment of recoverability of deferred tax assets is based on internal projections of the future earnings of the particular Group company.

Changes in deferred taxes in the balance sheet are recorded as deferred tax expense or income unless the underlying transaction is recognized directly in equity or in income and expenses recognized in equity. For those effects which have been recognized in equity, changes to deferred tax assets and tax liabilities are also recognized directly in equity.

Deferred tax liabilities are recognized for differences between the proportional IFRS equity and the tax base of the investment in a consolidated subsidiary if a reversal of these differences is expected in the foreseeable future. Deferred tax liabilities are recognized for dividend distributions planned for the following year if these distributions lead to a reversal of temporary differences.

Provisions for German trade tax, corporate income tax and similar income taxes are calculated and recognized based on the expected taxable income of the consolidated companies less any prepayments that have been made. Provisions are set up for interest accrued. This interest is reported under other financial result, not tax expense. Other taxes to be assessed are considered accordingly.

IFRIC 23 clarifies the application of the recognition and measurement policies from IAS 12 when there is uncertainty regarding income tax-related treatment of individual transactions. They are accounted for with the assumption that tax authorities will examine the questionable transaction and have all relevant information. The amount of risk provisions is calculated and reviewed with consideration for the results of past tax audits as well as the legal assessment of not yet audited transactions and the risk of a deviating tax-related interpretation by the tax authorities. The most probable value of the individual risks is recognized.

### Tax expense and tax rate

The BASF Group tax rate amounted to 132.9% in 2022 (2021: 19.2%). The very high tax rate in comparison to that of the previous year resulted mainly from non-tax-effective impairments of Wintershall Dea AG, which is accounted for using the equity method, particularly from the deconsolidation of its Russian exploration and production activities.

**Tax expense**

Million €

	2022	2021
<b>Current tax expense</b>	<b>1,280</b>	<b>1,436</b>
Corporate income tax, solidarity surcharge and trade taxes (Germany)	2	38
Foreign income tax	1,519	1,575
Taxes for prior years	-240	-176
<b>Deferred tax expense (+) / income (-)</b>	<b>300</b>	<b>-6</b>
From changes in temporary differences	181	49
From changes in tax loss carryforwards/unused tax credits	15	-67
From changes in the tax rate	0	-2
From valuation allowances of deferred tax assets	105	14
<b>Income taxes</b>	<b>1,580</b>	<b>1,430</b>

**Reconciliation of income taxes and the effective tax rate**

	2022		2021	
	Million €	%	Million €	%
Income before income taxes	1,190		7,448	
Expected tax based on German corporate income tax rate (15%)	178	15.0	1,117	15.0
Solidarity surcharge	0	0.0	0	0.0
Trade taxes	198	16.7	78	1.1
Foreign tax rate differential	489	41.1	548	7.4
Tax-exempt income	-183	-15.4	-211	-2.8
Nondeductible expenses	173	14.5	140	1.9
Income of companies accounted for using the equity method (income after taxes)	675	56.7	-56	-0.7
Taxes for prior years (current and deferred taxes)	-151	-12.7	-182	-2.5
Deferred tax liabilities for the future reversal of temporary differences associated with shares in participating interests	-55	-4.6	-6	-0.1
Changes in the tax rate	1	0.1	-2	0.0
Non-recognition / valuation allowance of deferred tax assets	235	19.7	10	0.1
Other	20	1.7	-7	-0.1
<b>Income taxes / effective tax rate</b>	<b>1,580</b>	<b>132.9</b>	<b>1,430</b>	<b>19.2</b>

Deferred taxes result from temporary differences between tax balances and the measurement of assets and liabilities according to IFRS as well as from tax loss carryforwards and unused tax credits. The remeasurement of all the assets and liabilities associated with acquisitions according to IFRS 3 has resulted in significant deviations between fair values and the values in the tax accounts. This primarily leads to deferred tax liabilities.

## Deferred taxes

### Deferred tax assets and liabilities 2022

Million €

	January 1, 2022, net	Effects recognized in income	Effects recognized in equity (OCI)	Business combinations	Other	December 31, 2022, net	Deferred tax assets	Deferred tax liabilities
Intangible assets	-1,045	184	-9	1	66	-804	89	-893
Property, plant and equipment	-1,131	-46	-56	0	-45	-1,278	252	-1,530
Financial assets	-67	110	-4	-	-30	9	50	-41
Inventories and accounts receivable	-372	-253	-23	-	-63	-711	246	-957
Provisions for pensions and similar obligations	2,085	-45	-1,244	-	2	799	1,152	-353
Other provisions and liabilities	1,062	-87	27	0	-45	957	1,239	-282
Tax loss carryforwards	580	-116	-6	-1	-87	370	370	-
Other	-11	-47	-4	-	56	-6	34	-39
<b>Deferred tax assets (liabilities) before netting</b>	<b>1,101</b>	<b>-300</b>	<b>-1,319</b>	<b>0</b>	<b>-146</b>	<b>-663</b>	<b>3,431</b>	<b>-4,094</b>
Netting	-	-	-	-	-	-	-2,551	2,551
<b>Deferred tax assets (liabilities) after netting</b>	<b>1,101</b>	<b>-300</b>	<b>-1,319</b>	<b>0</b>	<b>-146</b>	<b>-663</b>	<b>880</b>	<b>-1,543</b>

**Deferred tax assets and liabilities 2021**

Million €

	January 1, 2021, net	Effects recognized in income	Effects recognized in equity (OCI)	Business combinations	Other	December 31, 2021, net	Deferred tax assets	Deferred tax liabilities
Intangible assets	-955	-37	-26	-22	-6	-1,045	41	-1,086
Property, plant and equipment	-1,068	-18	-64	-3	22	-1,131	303	-1,434
Financial assets	-74	8	-26	-	25	-67	43	-109
Inventories and accounts receivable	-169	-187	-53	-1	37	-372	292	-664
Provisions for pensions and similar obligations	2,851	18	-790	-	6	2,085	2,781	-695
Other provisions and liabilities	831	148	78	2	3	1,062	1,168	-106
Tax loss carryforwards	505	69	4	1	1	580	580	-
Other	18	4	-3	-	-31	-11	63	-75
<b>Deferred tax assets (liabilities) before netting</b>	<b>1,939</b>	<b>6</b>	<b>-878</b>	<b>-23</b>	<b>57</b>	<b>1,101</b>	<b>5,270</b>	<b>-4,169</b>
Netting	-	-	-	-	-	-	-2,670	2,670
<b>Deferred tax assets (liabilities) after netting</b>	<b>1,939</b>	<b>6</b>	<b>-878</b>	<b>-23</b>	<b>57</b>	<b>1,101</b>	<b>2,600</b>	<b>-1,499</b>

Deferred tax assets on deductible temporary differences in the amount of €466 million were not recognized in 2022 (2021: €245 million), as their utilization at reversal was not reasonably certain.

Undistributed earnings of subsidiaries resulted in temporary differences of €8,699 million in 2022 (2021: €11,587 million) for which deferred tax liabilities were not recognized, as they are either not subject to taxation on payout or they are expected to be reinvested for an indefinite period of time.

**Tax loss carryforwards**

No deferred tax assets were recognized for tax loss carryforwards of €3,260 million (of which €1,186 million relate to German corporate income tax and €1,776 million to German trade tax) in 2022 (2021: €172 million). Of these, €4 million will expire in 2023, €0 million in 2024, €5 million in 2025, €3 million in 2026, €62 million in 2027, and €41 million in 2028 and thereafter. The remaining €3,144 million will not expire.

Surpluses of deferred tax assets for companies that reported tax losses in 2022 or 2021 totaled €376 million as of December 31, 2022 (December 31, 2021: €2,072 million). Deferred taxes were recognized because, due to planned earnings, the use of temporary differences or loss carryforwards is expected.

**Tax liabilities**

Tax liabilities primarily include assessed income taxes and other taxes as well as estimated income taxes not yet assessed for the current year.



### 13 Noncontrolling interests

#### Noncontrolling interests in profits and losses

Million €

	2022	2021
Noncontrolling interests in profits	250	480
Noncontrolling interests in losses	-14	-21
<b>Total</b>	<b>236</b>	<b>459</b>

**Noncontrolling interests in profits** declined year on year in 2022, especially at BASF TotalEnergies Petrochemicals LLC, Houston, Texas, and BASF PETRONAS Chemicals Sdn. Bhd., Kuala Lumpur, Malaysia, resulting mainly from lower sales prices and higher raw materials prices.

Income and expenses recognized in equity that were attributable to noncontrolling interests totaled €6 million in 2022 and €90 million in 2021. These effects resulted from currency translation in both years.

#### Noncontrolling interests

Group company	Partner	December 31, 2022		December 31, 2021	
		Equity interest		Equity interest	
		%	Million €	%	Million €
BASF India Limited, Mumbai, India	Free float	26.67	81	26.67	71
BASF PETRONAS Chemicals Sdn. Bhd., Kuala Lumpur, Malaysia	PETRONAS Chemicals Group Berhad, Kuala Lumpur, Malaysia	40.00	215	40.00	184
BASF Shanghai Coatings Co., Ltd., Shanghai, China	Shanghai Huayi Fine Chemical Co., Ltd, Shanghai, China	40.00	103	40.00	96
BASF TODA Battery Materials, LLC, Yamaguchi, Japan	TODA KOGYO CORP., Hiroshima, Japan	34.00	38	34.00	32
BASF TotalEnergies Petrochemicals LLC, Houston, Texas	TotalEnergies Petrochemicals & Refining USA, Inc., Houston, Texas	40.00	242	40.00	265
BASF Shanshan Battery Materials Co., Ltd., Changsha, China	Ningbo Yongxiang Investment Co., Ltd., Ningbo, China	49.00	325	49.00	342
Shanghai BASF Polyurethane Company Ltd., Shanghai, China	Shanghai Hua Yi (Group) Co (SHYG), Shanghai, China, and Sinopec Shanghai Gaoqiao Petrochemical Company Limited, Beijing, China	30.00	132	30.00	146
Other			214		153
<b>Total</b>			<b>1,350</b>		<b>1,289</b>

## 14 Intangible assets

### Accounting policies

**Acquired intangible assets (excluding goodwill)** with defined useful lives are generally measured at cost less straight-line amortization. The useful life is determined using the period of the underlying contract or the period of time over which the intangible asset can be expected to be used.

Impairments are recognized if the recoverable amount of the asset is lower than the carrying amount. The recoverable amount is the higher of either the fair value less costs to sell or the value in use. The value in use is determined on the basis of future cash inflows and outflows, and the weighted average cost of capital after taxes, depending on tax rates and country-related risks. If the reasons for an impairment no longer exist, the write-downs are reversed up to the value of the asset, had an impairment not been recognized. Depending on the type of intangible asset, amortization is reported under cost of sales, selling expenses, research and development expenses or other operating expenses.

Intangible assets with indefinite useful lives are trade names and trademarks that have been acquired as part of acquisitions. These are measured at cost and tested for impairment annually, or if there is an indication that their value has declined.

**Internally generated intangible assets** primarily comprise internally developed software. Such software and other internally generated intangible assets are measured at cost and amortized over their estimated useful lives. Impairments are recognized if the carrying amount of an asset exceeds the recoverable amount. In addition to those costs directly attributable to the asset, costs of internally generated intangible assets also include an appropriate portion of overhead costs.

The expected useful lives and amortization methods of intangible assets are based on historical values, plans and estimates. The weighted average amortization periods of intangible assets were as follows:

#### Weighted average amortization in years

	2022	2021
Distribution and similar rights	13	15
Product rights, licenses and trademarks <sup>a</sup>	18	25
Know-how, patents and production technologies	15	16
Internally generated intangible assets	6	5
Other rights and values	9	8

<sup>a</sup> The reassessment of the expected useful lives of two acquired trademarks in the Agricultural Solutions segment led to an increase in annual amortization of €23 million and thus to the decrease in the weighted average amortization in years.

**Emission rights:** Emission certificates, which are granted free of charge by the German Emissions Trading Authority (Deutsche Emissionshandelsstelle) or a similar authority in other countries, are recognized in the balance sheet with a value of zero. Emission rights purchased on the market are capitalized at cost as intangible assets. Emissions generated create an obligation to surrender the emission certificates. Intangible assets purchased on the market are subsequently measured at fair value, up to a maximum of the amount of the acquisition costs. If the fair value is lower than the carrying amount on the balance sheet date, the emission rights are impaired.

**Goodwill** is only written down in the case of an impairment. Impairment testing for goodwill is performed once a year and whenever there is an indication of impairment. Goodwill impairments are not reversed.

In both years, BASF's goodwill was allocated to 20 cash-generating units, which are defined either on the basis of business units or at a higher level.

The respective recoverable amounts were determined using the value in use. Plans approved by company management and their respective cash flows for the next five years were used. For the period thereafter, a terminal value was calculated using a forward projection from the last detailed planning year as a perpetual annuity. Planning is based on experience, current performance and management's best possible estimates on the future development of individual parameters, such as sales revenue (excluding precious metals), contribution margins, fixed costs and investments from which income from operations before depreciation and amortization is determined based on which EBITDA margin is derived. Market assumptions regarding, for example, gas and raw materials prices, exchange rates, economic development, inflation expectations and market growth of the respective customer industries are included based on external macroeconomic and industry-specific sources.

The fundamental transformation of the automotive industry will have a significant impact on the emissions catalyst business, which belongs to the Catalysts (excluding battery materials) cash-generating unit. Because there were no material changes in planning assumptions from the previous year, the growth rate for perpetual annuity remained unchanged at –0.7%. In the planning period, the demand for catalysts is still expected to remain stable as a result of higher environmental standards. In the medium term, the transition from combustion engines to electromobility will lead to a steady decline in demand.

**Goodwill of cash-generating units**


Million €

Cash-generating unit	2022			2021		
	Goodwill	Weighted cost of capital after taxes	Growth rate <sup>a</sup>	Goodwill	Weighted cost of capital after taxes	Growth rate <sup>a</sup>
Agricultural Solutions division	3,299	5.97%	2.0%	3,187	5.54%	2.0%
Catalysts division (excluding battery materials)	1,340	7.75%	-0.7%	1,306	6.63%	-0.7%
Catalysts division (battery materials)	336	7.49%	2.0%	338	6.51%	2.0%
Personal Care Ingredients in the Care Chemicals division	516	6.53%	2.0%	507	5.54%	2.0%
Surface Treatment in the Coatings division	711	7.75%	2.0%	712	6.67%	2.0%
Performance Chemicals division	355	7.42%	2.0%	348	6.25%	2.0%
Other cash-generating units	1,139	6.53%–7.61%	0.0%–2.0%	1,128	5.51%–6.67%	0.0%–2.0%
<b>Goodwill as of December 31</b>	<b>7,696</b>			<b>7,520</b>		

<sup>a</sup> Growth rates used in impairment tests to determine terminal values in accordance with IAS 36

In light of the war in Ukraine, the significant movements in gas and raw materials prices are being taken into account in future business expectations. In upcoming years, the assumption is that average gas and raw materials prices in Germany will only slowly return to a level that is comparable to that of other regions. From 2024, a decline in prices is expected, which was accounted for in the respective planning.

In addition, planning is also based on the strategies of the individual strategic business units which comprise the respective cash-generating units. The digitalization and sustainability trends identified in the strategies are thus taken into account in the respective impairment tests.

 For more information on strategy and identified digitalization and sustainability trends in the Management's Report, see page 29 onward and page 45 onward

The required discounting of cash flows for impairment testing is calculated using the weighted average cost of capital after taxes, which is determined using the capital asset pricing model.

 For more information on the weighted cost of capital, see Note 1 from page 209 onward

During the first half of 2022, BASF's market capitalization fell significantly below the carrying amount of equity recognized in the balance sheet. BASF therefore reviewed whether a need for impairment could be derived from this, especially of goodwill, as of June 30, 2022. The tests showed that there were no indications of goodwill impairment as of June 30, 2022.

 For more information on the review of goodwill as of June 30, 2022, see Note 11 of the Half-Year Financial Report from page 39 onward

The annual impairment tests of the 20 cash-generating units were performed in the fourth quarter of 2022. The calculation also takes into account capital structure and the beta factor of the respective peer group as well as the average tax rate of each cash-generating unit. Impairment tests were performed on the units assuming a weighted average cost of capital rate after taxes of between 5.97% and 7.75% (2021: between 5.51% and 6.67%). This corresponds to a weighted average cost of capital rate before taxes of between 6.96% and 10.80% (2021: between 6.53% and 8.94%).

After determining the recoverable amounts for the cash-generating units, the conclusion was that reasonable possible deviations from the key assumptions would not lead to the carrying amount of any unit exceeding the respective recoverable amounts except in the Catalysts (excluding battery materials) and Surface Treatment divisions, which are allocated to the Surface Technologies segment.

The recoverable amount for the Surface Treatment cash-generating unit exceeded the carrying amount by €108 million in 2022 (2021: €408 million). A weighted cost of capital after taxes of 7.75% (2021: 6.67%) and an EBITDA margin in the last detailed planning year were used as the basis for calculating the final value of 17.00% (2021: 18.88%) for the impairment test. The recoverable amount would be equal to the unit's carrying amount if the weighted average cost of capital rose by 0.34 percentage points (2021: 1.05 percentage points), the growth rate were 0.48 percentage points (2021: 1.46 percentage points) lower, or the EBITDA margin in the last detailed planning year as the basis for calculating the final value were 0.95 percentage points (2021: 3.37 percentage points) lower.

A weighted cost of capital after taxes of 7.75% (2021: 6.63%) and an EBITDA margin in the last detailed planning year as the basis for calculating the final value of 29.60% were used for the annual impairment test of the Catalysts (excluding battery materials) cash-generating unit. The recoverable amount for this unit exceeded the carrying amount by €179 million. The recoverable amount would be equal to the unit's carrying amount if the weighted average cost of capital rose by 0.25 percentage points, the growth rate were 0.66 percentage points lower, or the EBITDA margin in the last detailed planning year as the basis for calculating the final value were 1.07 percentage points lower.

### Development of intangible assets

**Additions** in 2022 related primarily to capitalized IT project expenses and acquired software licenses in the Surface Technologies segment as well as internally developed software with no segment allocation.

**Disposals** of intangible assets amounting to €421 million primarily concerned fully amortized assets in the Agricultural Solutions, Industrial Solutions, Nutrition & Care segments as well as assets with no segment allocation. In addition, goodwill was derecognized through divestitures in the Surface Technologies and Industrial Solutions segments.

**Transfers to disposal groups** related to adjustments to goodwill of the divested kaolin minerals business.

In 2022, additions to **accumulated amortization** contained impairments of €4 million. These related mainly to unfinished IT projects with no operational allocation as well as customer relationships in the Agricultural Solutions segment.

### Development of intangible assets 2022

Million €

	Distribution and similar rights	Product rights, licenses and trademarks	Know-how, patents and production technologies	Internally generated intangible assets	Other rights and values <sup>a</sup>	Goodwill	Total
<b>Cost</b>							
As of January 1, 2022	2,547	1,419	4,304	268	949	8,314	17,802
Changes in the scope of consolidation	-1	-	-	-	0	-	-1
Additions	-	1	61	32	31	-	125
Additions from acquisitions	-	-	-	-	-	-	-
Disposals	-151	-107	-39	-11	-99	-13	-421
Transfers	0	0	-12	7	6	-	1
Transfers to disposal groups	-	-	-	-	0	-2	-2
Currency effects	45	32	120	0	11	191	400
As of December 31, 2022	2,441	1,346	4,435	296	898	8,490	17,904
<b>Accumulated depreciation</b>							
As of January 1, 2022	1,243	316	1,356	164	430	794	4,303
Changes in the scope of consolidation	0	-	-	-	0	-	0
Additions	188	64	284	27	88	-	652
of which impairments	1	-	2	-	0	-	4
Disposals	-151	-107	-37	-11	-83	-4	-393
Transfers	0	0	0	-	0	-	0
Transfers to disposal groups	-	-	-	-	-	-	-
Currency effects	21	5	34	0	6	3	70
As of December 31, 2022	1,301	279	1,636	180	442	794	4,632
<b>Net carrying amount as of December 31, 2022</b>	<b>1,140</b>	<b>1,067</b>	<b>2,799</b>	<b>116</b>	<b>456</b>	<b>7,696</b>	<b>13,273</b>

<sup>a</sup> Including licenses to such rights and values

**Development of intangible assets 2021**

Million €

	Distribution and similar rights	Product rights, licenses and trademarks	Know-how, patents and production technologies	Internally generated intangible assets	Other rights and values <sup>a</sup>	Goodwill	Total
<b>Cost</b>							
As of January 1, 2021	2,731	1,387	4,182	234	973	7,734	17,241
Changes in the scope of consolidation	0	6	0	–	0	–	6
Additions	2	1	16	32	28	–	78
Additions from acquisitions	45	–	89	–	5	254	392
Disposals	–335	–17	–142	–3	–82	–60	–638
Transfers	0	0	–17	5	8	–	–4
Transfers to disposal groups	–	–	0	–	0	–13	–13
Currency effects	105	42	176	1	16	400	739
As of December 31, 2021	2,547	1,419	4,304	268	949	8,314	17,802
<b>Accumulated depreciation</b>							
As of January 1, 2021	1,340	275	1,185	140	381	775	4,096
Changes in the scope of consolidation	0	7	0	0	0	–	7
Additions	171	44	260	26	113	–	614
of which impairments	0	–	1	1	–	–	2
Disposals	–320	–17	–142	–3	–74	–26	–581
Transfers	0	–	0	0	0	–	0
Transfers to disposal groups	0	–	0	–	0	–	0
Currency effects	52	7	52	0	10	45	167
As of December 31, 2021	1,243	316	1,356	164	430	794	4,303
<b>Net carrying amount as of December 31, 2021</b>	<b>1,304</b>	<b>1,103</b>	<b>2,949</b>	<b>104</b>	<b>520</b>	<b>7,520</b>	<b>13,499</b>

<sup>a</sup> Including licenses to such rights and values

## 15 Property, plant and equipment

### Accounting policies

**Property, plant and equipment** are measured at cost less depreciation and impairment over their useful lives. The revaluation method is not applied. Low-value assets are fully expensed in the year of acquisition.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and production overhead costs, and a share of the general administrative costs of the divisions involved in the construction of the plants.

Expenses related to the scheduled maintenance of large-scale plants are capitalized separately and depreciated using the straight-line method over the period until the next planned turnaround. Costs for the replacement of components are recognized as assets if an additional future benefit is expected. The carrying amount of the replaced components is derecognized. Costs for maintenance and repair as part of normal business operations are recognized as an expense.

As lessee, BASF generally recognizes all leases in the balance sheet. The right-of-use assets from leases and lease liabilities are measured at the present value of the financial commitments entered into.

 For more information, see Note 16 from page 250 onward

Investment properties held to realize capital gains or rental income are immaterial. They are valued at the lower of fair value or cost less depreciation.


Both movable and immovable fixed assets are principally depreciated using the straight-line method. The estimated useful lives and depreciation methods of property, plant and equipment are based on historical values, plans and estimates. The depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The weighted average depreciation periods were as follows:

#### Weighted average depreciation in years

	2022	2021
Buildings and structural installations	17	18
Machinery and technical equipment	11	11
Miscellaneous equipment and fixtures	7	7

If there is indication of a possible cause for impairment, an impairment test is performed. Impairments to property, plant and equipment are recognized if the recoverable amount of the asset is lower than the carrying amount. The measurement is based on fair value less costs to sell or the value in use. An impairment is recognized for the difference between the carrying amount and the recoverable amount. If the reasons for an impairment no longer exist, the write-downs are reversed up to the value of the asset, had an impairment not been recognized. Impairments and reversals of impairments are reported in other operating income and expenses.

 For more information on the value in use and the weighted cost of capital, see Note 1 from page 209 onward

**Borrowing costs:** If borrowing costs are directly incurred as part of the acquisition, construction or production of a qualifying asset, they are capitalized as part of the acquisition or production cost of that asset. A qualifying asset is an asset for which the process necessary to make it ready for its intended use or sale is longer than one year. Borrowing costs are capitalized up to the date the asset is ready for its intended use. Borrowing costs were calculated based on a rate of 1.25% (previous year: 1.25%) and adjusted on a country-specific basis, if necessary. All other borrowing costs are recognized as an expense in the period in which they are incurred.

**Government grants:** Government grants related to the acquisition or construction of property, plant and equipment reduce the acquisition or construction cost of the respective assets. Other government grants or government assistance are recognized immediately as other operating income or treated as deferred income and released over the underlying period.

**Development of property, plant and equipment including right-of-use assets arising from leases in 2022**

Million €

	Land	Right-of-use land	Buildings	Right-of-use buildings	Machinery and technical equipment	Right-of-use machinery and technical equipment	Miscellaneous equipment and fixtures	Right-of-use miscellaneous equipment and fixtures	Advance payments and construction in progress	Advance payments for right-of-use assets	Total
<b>Cost</b>											
As of January 1, 2022	905	544	11,495	982	46,781	624	5,058	756	3,735	150	71,030
Changes in the scope of consolidation	0	0	-17	-1	-3	0	-2	-1	0	-	-24
Additions	46	49	168	184	793	112	237	236	3,017	-	4,842
Disposals	-19	-2	-260	-153	-961	-23	-245	-117	-26	-	-1,805
Transfers	2	150	319	-8	1,153	0	143	0	-1,609	-150	0
Transfers to disposal groups	-4	-	-3	-	-7	-	-1	-	10	-	-5
Currency effects	9	-9	153	30	804	23	78	12	8	-	1,108
As of December 31, 2022	939	732	11,855	1,036	48,559	736	5,268	886	5,135	-	75,145
<b>Accumulated depreciation</b>											
As of January 1, 2022	54	125	7,115	408	37,138	316	3,833	435	53	-	49,477
Changes in the scope of consolidation	0	0	-16	-1	-3	-	-2	0	-	-	-22
Additions	12	23	416	133	2,258	96	377	177	57	-	3,549
of which impairments	11	-	36	2	257	0	7	0	57	-	369
Disposals	-8	-2	-219	-121	-922	-19	-230	-104	-22	-	-1,647
Transfers	0	0	6	-6	13	0	0	0	-13	-	0
Transfers to disposal groups	-1	-	0	-	0	-	0	-	-	-	-1
Currency effects	3	0	96	18	631	10	54	9	1	-	823
As of December 31, 2022	61	146	7,399	433	39,115	402	4,032	515	76	-	52,179
<b>Net carrying amount as of December 31, 2022</b>	<b>878</b>	<b>585</b>	<b>4,456</b>	<b>603</b>	<b>9,444</b>	<b>333</b>	<b>1,236</b>	<b>371</b>	<b>5,059</b>	<b>-</b>	<b>22,967</b>

**Additions** to property, plant and equipment arising from investment projects (excluding leases) amounted to €4,261 million in 2022. Investments were made at the following sites in particular: Ludwigshafen, Germany; Antwerp, Belgium; Zhanjiang, China; Geismar, Louisiana; and Schwarzheide, Germany. Material investments included the development of infrastructure and technical equipment at the new Verbund site in Zhanjiang, China, as well as construction and expansion of the ethylene oxide and polyethylene oxide production plants in Antwerp, Belgium, and Ludwigshafen, Germany. Investments also comprised the construction of infrastructure and production plants for battery materials in Schwarzheide, Germany. Government grants for funding investment measures reduced asset additions by €7 million.

In 2022, **impairments** of €390 million and reversals of impairments of €20 million were included in accumulated depreciation.

Due to the planned divestiture of the site, impairments of €80 million related to construction in progress, machinery and technical equipment, buildings and land as well as miscellaneous equipment at a production site in Europe in the Surface Technologies segment. Furthermore, there was a complete write-down in the amount of €24 million due to a production plant closure in North America in the Materials segment. In addition, several older assets in Ludwigshafen, Germany, pertaining to the Materials segment with a residual carrying amount of €13 million were fully written down. Impairments to construction in progress mainly related to discontinued investment projects. The deteriorating cost position in Europe, due mainly to the significant rise in gas prices, led to intermittent production discontinuations and low capacity utilization at various plants in Europe, especially in Ludwigshafen, Germany. Impairment tests were therefore conducted on the relevant plants, which resulted in the partial impairment of a production plant in the Chemicals segment in the amount of €195 million. The value in use in the amount of €350 million was calculated based on the assumption that gas prices in Germany in the next three years would only slowly return to a level that would lead to a cost position comparable with that in other regions. The value in use was calculated applying a weighted cost of capital after taxes of 8.22%, which had been

adjusted to account for the risk of this planning calculation. This corresponds to a cost of capital rate before taxes of 12.0%.

Reversals of impairments in the amount of €20 million resulted primarily from an increase in the fair value of plants impaired at a site in North America in 2020.

**Transfers** related mainly to the reclassification of operation-ready assets from construction in progress to other asset categories.

**Transfers to disposal groups** related to the adjustment of reclassified amounts in connection with the divested kaolin minerals business.

 For more information on divestitures, see Note 3 from page 216 onward

**Currency effects** raised property, plant and equipment by €286 million and resulted mainly from appreciation of the U.S. dollar against the euro.



**Development of property, plant and equipment including right-of-use assets arising from leases in 2021**

Million €

	Land	Right-of-use land	Buildings	Right-of-use buildings	Machinery and technical equipment	Right-of-use machinery and technical equipment	Miscellaneous equipment and fixtures	Right-of-use miscellaneous equipment and fixtures	Advance payments and construction in progress	Advance payments for right-of-use assets	Total
<b>Cost</b>											
As of January 1, 2021	947	451	10,749	834	43,902	505	4,773	690	3,164	–	66,015
Changes in the scope of consolidation	0	–2	–2	0	–2	–	–2	–1	0	–	–10
Additions	7	11	141	168	814	98	203	186	2,301	150	4,078
Additions from acquisitions	–	39	104	–	149	–	3	–	38	–	332
Disposals	–8	–1	–97	–49	–556	–12	–171	–134	–140	–	–1,168
Transfers	–5	10	310	–	1,392	–	118	–	–1,723	–	102
Transfers to disposal groups	–59	0	–60	–2	–360	0	–15	–5	–9	0	–510
Currency effects	25	37	350	31	1,442	33	150	20	104	–	2,193
As of December 31, 2021	905	544	11,495	982	46,781	624	5,058	756	3,735	150	71,030
<b>Accumulated depreciation</b>											
As of January 1, 2021	66	100	6,689	292	34,882	229	3,576	357	177	–	46,368
Changes in the scope of consolidation	–	–2	–2	0	–1	–	–3	–1	0	–1	–9
Additions	–3	17	380	129	1,921	80	331	173	35	–	3,064
of which impairments	–3	–	27	8	72	–	3	–	35	–	142
Disposals	0	–1	–83	–27	–517	–8	–163	–103	–132	–	–1,033
Transfers	–	2	3	–1	131	–	–1	–	–32	–	102
Transfers to disposal groups	–13	0	–45	–1	–336	–	–11	–3	0	0	–409
Currency effects	4	9	174	16	1,058	14	104	11	5	–	1,395
As of December 31, 2021	54	125	7,115	408	37,138	316	3,833	435	53	–	49,477
<b>Net carrying amount as of December 31, 2021</b>	<b>852</b>	<b>419</b>	<b>4,380</b>	<b>574</b>	<b>9,642</b>	<b>308</b>	<b>1,225</b>	<b>321</b>	<b>3,681</b>	<b>150</b>	<b>21,553</b>

## 16 Leases

### Accounting policies

A lease is an agreement that conveys the right to control the use of identified asset for a defined period of time in return for a payment.

Leases in which BASF is a lessee mainly relate to real estate and transportation and technical equipment.

Leases can be embedded within other contracts. If separation is required under IFRS, the embedded lease is recorded separately from its host contract and each component of the contract is accounted and measured in accordance with the applicable regulations.

As lessee, BASF accounts for nearly all leases, recognizing right-of-use assets for leased assets and liabilities for lease agreements. The following principles are considered:

- BASF exercises the exemption for lease agreements with a maximum term of 12 months from the date of provision and low-value assets. Low-value assets are generally defined as leased assets worth a maximum of €5,000.
- Lease liabilities are measured at the present value of the remaining lease payments, taking into account the incremental borrowing rate.
- As a general rule, BASF separates non-lease components, such as services, from lease payments.
- A right-of-use asset is generally recognized at the same amount as the lease liability. Differences may arise from the lease payments made prior to the provision of the leased asset, less any lease incentives received.
- After capitalization at the commencement date, whereby the right-of-use asset is measured at cost, the right-of-use asset is generally depreciated over the lease term using the straight-line method.

- A number of leases, particularly for real estate and barges, include extension and termination options. Extension and termination options are taken into account on recognition of the lease liability only if BASF is reasonably certain that these options will be exercised in the future. When contract terms are being determined, consideration is given to all facts and circumstances that offer an economic incentive for exercising extension options or not exercising termination options. Changes in lease terms arising from the exercise of an extension option or non-exercise of a termination option are only considered if sufficient certainty exists. Estimates and expectations which are asserted at the commencement date of the lease liability and the right-of-use asset and pertain to future payments not yet determined on the date of provision are assessed continuously during the lease term. If subsequently improved or changed knowledge influences the expected payment profile over time, the lease liability is remeasured.
- If an existing lease contract is modified, the lease liability and right-of-use asset must be remeasured, provided the modification changes the payment profile (pursuant to the interest and principal

plan) or the scope (either quantitatively or time-related) of use of the asset.

BASF presents the interest component of lease payments in cash flows from operating activities and the repayment portion in cash flows from financing activities. Lease payments under short-term agreements, agreements with low-value assets or variable payments are presented in cash flows from operating activities.

### BASF as lessee

#### Lease liabilities

Million €

	December 31, 2022			December 31, 2021		
	Lease liabilities	Interest portion	Future lease payments	Lease liabilities	Interest portion	Future lease payments
Following year 1	330	43	373	336	30	366
Following year 2	222	36	258	219	27	246
Following year 3	150	30	180	153	29	182
Following year 4	111	26	137	100	25	125
Following year 5	85	23	108	74	20	94
Over 5 years	591	171	762	532	167	699
<b>Total</b>	<b>1,489</b>	<b>329</b>	<b>1,818</b>	<b>1,414</b>	<b>298</b>	<b>1,712</b>

**Expenses and income in the statement of income from leases for BASF as lessee**

Million €	2022	2021
Interest expenses for lease liabilities	-40	-36
Expenses for variable lease payments not included in the measurement of lease liabilities	-33	-30
Income from sublease agreements	20	-
Expenses for short-term leases	-156	-129
Expenses for leases for low-value assets	-22	-27
<b>Total</b>	<b>-231</b>	<b>-222</b>

BASF entered a five-year rental agreement for a building with the sale of the site in Tarrytown, New York, in 2022. The lease liabilities for this sale-and-leaseback transaction amounted to €12 million as of December 31, 2022.

**BASF as lessor**

BASF acts as a lessor for finance leases to a minor extent only. Receivables on finance leases were €35 million in 2022 (2021: €44 million). The leased assets pertained primarily to buildings and production facilities.

Claims arising from operating leases amounted to €268 million in 2022 (2021: €190 million). As in the previous year, there were no material operating leases for property, plant and equipment.

**Future lease payments to BASF from operating lease contracts**

Million €	December 31, 2022	December 31, 2021
Up to 1 year	46	35
1 – 5 years	153	106
Over 5 years	69	49
<b>Total</b>	<b>268</b>	<b>190</b>

**Income from leases for BASF as lessor**

Million €	2022	2021
Income from finance leases	2	3
of which gains and losses from sales	-	1
financial income from net investment in the lease	2	2
income from variable lease payments not included in measurement of net investment	-	-
Income from operating leases	46	35
of which income from variable lease payments not dependent upon an index or interest rate	-	-
<b>Total</b>	<b>48</b>	<b>38</b>

**17 Inventories****Accounting policies**

Inventories are measured at acquisition cost or cost of conversion based on the weighted average method. If the market price or the fair value of the sales products, which are based on the net realizable values, is lower, then the sales products are written down to this lower value. The net realizable value is the estimated price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

In addition to direct costs, cost of conversion includes an appropriate allocation of production overhead costs based on normal utilization rates of the production plants, provided that they are related to the production process. Pensions, social services and voluntary social benefits are also included, as well as allocations for administrative costs, provided they relate to the production. Borrowing costs are not included in cost of conversion.

Inventories may be impaired if the prices for the sales products decline, or in cases of a high rate of days sales of inventory (DSI). Write-downs on inventories are reversed if the reasons for them no longer apply.

The exception made by IAS 2 for traders is applied to the measurement of precious metals. Accordingly, inventories held exclusively for trading purposes are measured at fair value less costs to sell and recognized in the precious metal trading item (carrying amount as of December 31, 2022: €1,939 million; as of December 31, 2021: €1,554 million) under miscellaneous current assets. All changes in value are immediately recognized in the statement of income.

**Inventories**

Million €

	Dec. 31, 2022	Dec. 31, 2021
Raw materials and factory supplies	5,255	4,414
Work in progress, finished goods and merchandise	10,686	9,337
Advance payments and services in progress	87	117
<b>Inventories</b>	<b>16,028</b>	<b>13,868</b>

**Work in progress, finished goods and merchandise** are combined into one item due to production conditions in the chemical industry. Services in progress mainly relate to services not invoiced as of the balance sheet date.

Cost of sales included inventories recognized as an expense amounting to €48,836 million in 2022, and €44,244 million in 2021.

Write-downs on inventory were recognized in the amount of €84 million in 2022, and in the amount of €97 million in 2021.

**18 Receivables and miscellaneous assets****Other receivables and miscellaneous assets**

Million €

	December 31, 2022		December 31, 2021	
	Noncurrent	Current	Noncurrent	Current
Loans and interest receivables	45	103	42	149
Derivatives with positive fair values	395	952	335	610
Receivables from finance leases	32	2	40	4
Receivables from capital equipment of nonconsolidated subsidiaries	43	153	51	167
Receivables from bank acceptance drafts	–	401	–	387
Other	298	391	270	376
<b>Other receivables and assets that qualify as financial instruments</b>	<b>814</b>	<b>2,002</b>	<b>738</b>	<b>1,692</b>
Prepaid expenses	44	285	77	327
Defined benefit assets	792	–	661	–
Tax refund claims	133	1,908	198	1,610
Employee receivables	0	24	0	24
Precious metal trading items	–	1,939	–	1,554
Other	27	434	48	361
<b>Other receivables and assets that do not qualify as financial instruments</b>	<b>996</b>	<b>4,589</b>	<b>984</b>	<b>3,876</b>
<b>Other receivables and miscellaneous assets</b>	<b>1,810</b>	<b>6,591</b>	<b>1,722</b>	<b>5,568</b>

The rise in noncurrent **derivatives with positive fair values** primarily resulted from the market valuation of combined interest rate and currency swaps. The change in current derivatives with positive fair market values was largely attributable to the increase in fair values of commodity derivatives for precious metals.

**Bank acceptance drafts** are used as an alternative form of payment in China. Bank acceptance drafts are issued at a discount from their par value. They can be held to maturity, traded or redeemed prematurely at a discount. If BASF discounts a bank acceptance draft with recourse, a liability toward the credit institution is recognized in the amount of the payment received.

**Prepaid expenses** in 2022 mainly included prepayments of €45 million related to operating activities compared with €41 million in 2021, as well as €77 million in prepayments for insurance in 2022 compared with €93 million in 2021. Prepayments for license costs increased from €49 million in 2021 to €55 million in 2022.

As in the previous year, **defined benefit assets** were recognized in 2022 mainly for the contractual trust arrangement of BASF Pensionstreuhand e.V. as well as at Group companies in Switzerland and the United Kingdom. An asset ceiling came into effect in 2022 for the pension plans in Switzerland.

 For more information on plan assets, see Note 22 from page 261 onward

The change in current **tax refund claims** was largely attributable to the rise in income tax receivables.

**Precious metal trading items** primarily comprise physical items, precious metal accounts as well as long positions in precious metals, which are largely hedged through forward sales or derivatives.

The rise in current other receivables and assets, which do not represent financial instruments, was due to higher advance payments.

Expected losses of **trade accounts receivable** at BASF are calculated primarily on the basis of internal or external customer ratings and the associated probability of default.

The following table presents the gross values and credit risks for trade accounts receivable measured at amortized cost as of December 31, 2022.

#### Accounts receivable, trade

Million €

Creditworthiness as of December 31, 2022	Equivalence to external rating <sup>a</sup>	Gross carrying amounts
High/medium credit rating	from AAA to BBB-	7,822
Low credit rating	from BB- to D	4,281

<sup>a</sup> Standard & Poor's rating

There are currently no significant credit risks (or a concentration thereof) associated with other financial instruments. BASF generally monitors the credit risk associated with counterparties with which receivables representing financial instruments exist. In accordance with IFRS 9, impairments for expected credit losses on receivables are recognized based on this.

#### Valuation allowances on receivables (financial instruments) 2022

Million €

	As of January 1, 2022	Additions	Releases	Reclassification between stages	Translation effect	As of December 31, 2022
<b>Accounts receivable, trade</b>	<b>310</b>	<b>130</b>	<b>124</b>	<b>-</b>	<b>3</b>	<b>319</b>
of which stage 2	47	49	52	-	-	44
stage 3	263	81	72	-	3	275
<b>Other receivables</b>	<b>112</b>	<b>24</b>	<b>19</b>	<b>-</b>	<b>1</b>	<b>118</b>
of which stage 1	3	3	2	-	-	4
stage 2	0	1	-	-	-	1
stage 3	109	20	17	-	1	113
<b>Total</b>	<b>422</b>	<b>154</b>	<b>143</b>	<b>-</b>	<b>4</b>	<b>437</b>

At BASF, a comprehensive, global credit insurance program covers accounts receivable, trade. Under a global excess of loss policy, future bad debts are insured for essentially all BASF Group companies excluding joint ventures. The program has no impact on the calculation of valuation allowances in accordance with IFRS 9. No compensation claims were incurred in either 2022 or 2021.

Payment terms are generally agreed upon individually with customers and, as a rule, are within 90 days. In 2022, valuation allowances of €130 million (2021: €120 million) were added for trade accounts receivable, and valuation allowances of €124 million (2021: €110 million) were reversed.

In 2022, valuation allowances of €24 million were recognized for **other receivables** representing financial instruments, and valuation allowances of €19 million were reversed. In the previous year, valuation allowances of €28 million were recognized and valuation allowances of €40 million were reversed.

## 19 Capital, reserves and retained earnings

### Subscribed capital

BASF SE has only issued fully paid-up registered shares with no par value. There are no preferential rights or other restrictions.

The subscribed capital of BASF SE as of December 31, 2022, was €1,144 million, divided into 893,854,929 qualifying shares with no par value. The share capital and the number of shares decreased in 2022 due to the redemption of acquired treasury shares in connection with the share buyback program.

The subscribed capital as of December 31, 2021, was €1,176 million, divided into 918,478,694 shares.

### Share buyback / treasury shares

By way of a resolution of the Annual Shareholders' Meeting of May 12, 2017, the Board of Executive Directors was authorized to buy back treasury shares until May 11, 2022, in accordance with section 71(1) no. 8 of the German Stock Corporation Act (AktG). On April 29, 2022, the Annual Shareholders' Meeting approved a renewal of the authorization to purchase treasury shares until April 28, 2027.

The buyback may not exceed 10% of the company's share capital at the time the resolution was passed and can take place via the stock exchange, a public purchase offer addressed to all shareholders, or a public invitation to the shareholders to submit sales offers.

The Board of Executive Directors is authorized to redeem the shares bought back without a further resolution of the Annual Shareholders' Meeting and to reduce the share capital by the proportion of the share capital accounted for by the redeemed shares. The Board of Executive Directors can also redeem the shares without reducing the share capital so that the proportion of the other shares in relation to the share capital is increased through the redemption. In that

event, the Board of Executive Directors is authorized to adjust the number of shares in the Statutes.

In 2022, BASF purchased a total of 24,623,765 shares or 2.68% of the share capital through the buyback authorizations at an average price €53.83 per share. All repurchased shares were redeemed and the share capital was reduced accordingly. BASF did not hold any treasury shares as of the balance sheet date.

BASF's expenditure in 2022 for the share buyback totaled €1,325 million. The amount was taken from other retained earnings and also reduced subscribed capital by €32 million. This reduction was reclassified to capital reserves. The share buyback authorization was not utilized in 2021.

### Authorized capital

In accordance with the resolution of the Annual Shareholders' Meeting on May 3, 2019, the Board of Executive Directors was authorized, with the consent of the Supervisory Board, to increase, until May 2, 2024, on a one-off basis or in portions on a number of occasions, the company's share capital by a total of up to €470 million by issuing new shares against contributions in cash or in kind. In principle, shareholders are entitled to a subscription right. However, the Board of Executive Directors is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the cases specified in the authorizing resolution. The Board of Executive Directors is authorized, with the consent of the Supervisory Board, to lay down the further contents of the share rights and the details of the execution of the capital increase. The total shares issued on the basis of the above authorization with the exclusion of the shareholders' subscription right in the case of capital increases in return for contributions in cash or in kind must not exceed 10% of the share capital at the time that this authorization comes into effect or – if this value is lower – at the time of its exercise. The proportionate amount of the share capital of those shares that are to be issued on the basis of conversion or option bonds granted during the term of this authorization under the exclusion of the subscription right, must be credited against the

forementioned ceiling of 10%. This authorization has not been exercised to date.

### Conditional capital

The existing authorization passed by an Annual Shareholders' Meeting resolution on May 12, 2017, to issue convertible bonds and/or bonds with warrants expired on May 11, 2022. At the Annual Shareholders' Meeting on April 29, 2022, the Board of Executive Directors was again authorized, with the approval of the Supervisory Board, up to April 28, 2027, on a one-off basis or in portions on more than one occasion to issue bearer or registered convertible bonds and/or bonds with warrants or a combination of these instruments with or without maturity limitations with a total nominal value of up to €10 billion and to grant or impose holders and/or creditors of these debt instruments conversion or option rights for up to 91,847,800 registered shares in the company with a pro rata amount of share capital of up to €117,565,184 subject to the respective terms and conditions of the debt instruments. The debt instruments can be issued in exchange for contributions in cash, but also for contributions in kind, particularly shareholdings in other companies.

To hedge the subscription right to conversion and option rights issued under the authorization, the share capital was increased conditionally by up to €117,565,184 with the option of issuing a maximum of 91,847,800 new registered BASF shares. The conditional capital increase shall only be carried out to the extent to which holders of convertible bonds or warrants attached to bonds with warrants issued by the company or one of its subsidiaries up to April 28, 2027, under the authorization granted to the Board of Executive Directors, exercise their conversion or option rights and/or fulfill their conversion or option obligations, and provided that no other forms of fulfillment of delivery are used. The new BASF shares shall be issued at the conversion or option prices determined in each case in the terms and conditions of the debt instruments and/or the warrants in accordance with the above-mentioned authorization. The new BASF shares issued under this provision shall participate in profits from the beginning of the financial year in

which they are issued. This authorization had not been exercised as of the end of the 2022 fiscal year.

### Capital reserves

Capital reserves include effects from BASF's share program, premiums from capital increases and consideration for warrants and negative goodwill from the capital consolidation resulting from acquisitions of subsidiaries in exchange for the issue of BASF SE shares at par value.

The proportion of share capital accounted for by the redeemed treasury shares in 2022 was reclassified to capital reserves.

### Retained earnings

Retained earnings include earnings generated in the past and in 2022 by companies included in the Consolidated Financial Statements.

The acquisition of shares in companies that BASF already controls or that are included in the Consolidated Financial Statements as a joint arrangement is treated as a transaction between shareholders, as long as this does not lead to a change in the consolidation method. There were no material transactions of this type in 2022, as in the previous year.

In connection with the share buyback, the amount in excess of the nominal value was deducted from retained earnings. Upon redemption of the shares, the previously openly deducted amounts were offset against share capital and retained earnings. Additionally, the value of share capital accounted for by the redeemed shares was reclassified from retained earnings to capital reserves. This resulted in a total reduction of retained earnings of €1,325 million in 2022.

### Retained earnings

Million €

	December 31, 2022	December 31, 2021
Legal reserves	1,032	958
Other retained earnings	34,422	39,407
<b>Retained earnings</b>	<b>35,453</b>	<b>40,365</b>

**Legal reserves** rose by €74 million in 2022 and by €57 million in 2021 due to reclassifications from retained earnings.

### Payment of dividends

In accordance with the resolution of the Annual Shareholders' Meeting on April 29, 2022, BASF SE paid a dividend of €3.40 per qualifying share from the retained profit of the 2021 fiscal year. With 903,468,202 qualifying shares as of the Annual Shareholders' Meeting, this represented total dividends of €3,071,971,886.80. The remaining €856,529,452.43 in retained profits was allocated to retained earnings.

## 20 Other comprehensive income

### Accounting policies

The expenses and income shown in other comprehensive income are divided into two categories: Items that will be recognized in the income statement in the future (known as “recycling”) and items that will not be reclassified to the income statement in the future. The first category includes gains and losses from currency translation, the measurement of certain securities classified as debt instruments, and changes in the fair value of derivatives held to hedge future cash flows. Items that will not be reclassified to the income statement at a future date include effects from the remeasurement of defined benefit plans.

### Remeasurement of defined benefit plans

Changes in the value of defined benefit plans led to an increase in other comprehensive income of €2,586 million in 2022 and €2,709 million in the previous year (after taxes in both years). Of that, €83 million was attributable to investments accounted for using the equity method in 2022 (2021: €44 million). Deferred taxes amounted to –€1,256 million in 2022 and to –€811 million in 2021.

Because of the disposal of the pigments business on June 30, 2021, the amount of €48 million for the remeasurement of defined benefit plans, plus an additional €6 million resulting from the disposal of the operational companies held by Solenis UK International Ltd., London, United Kingdom, which had been accounted for using the equity method until that date, was reclassified, in equity, from other comprehensive income to retained earnings in 2021. Moreover, deferred taxes in the amount of –€18 million arising from an adjustment in connection with the introduction of IAS 19 were offset against retained earnings in equity.

 For more information on the remeasurement of defined benefit plans, see Note 22 from page 261 onward

### Currency translation

Differences resulting from currency translation increased equity in 2022 by a total of €1,135 million and by €2,205 million in the previous year. This included deferred taxes in the amount of –€7 million in 2022 (2021: –€19 million). Equity-accounted investments accounted for €583 million (2021: €697 million). In 2022, the difference resulted mainly from the appreciation of the U.S. dollar and the Brazilian real and, in 2021, mainly from the appreciation of the U.S. dollar and the Chinese renminbi relative to the euro.

With the deconsolidation of the Russian shareholdings held by Wintershall Dea AG, Kassel/Hamburg, Germany, total differences arising from currency translation of €868 million were reclassified as earnings to the income statement.

As a result of divestitures and other changes in the scope of consolidation, €52 million after taxes was reclassified to the income statement in 2021.

### Cash flow hedges

Changes in the fair value of derivatives designated in hedging relationships (cash flow hedges) adjusted for deferred taxes in the amount of –€8 million (2021: –€10 million) reduced equity by a total of €33 million (2021: €329 million). In 2022, €37 million (2021: –€381 million) was attributable to the hedging of future cash flows at shareholdings accounted for using the equity method.

 For more information on cash flow hedge accounting, see Note 26.5 from page 279 onward



## 21 Liabilities

### Financial indebtedness

Million €

	Currency	Nominal value (million, currency of issue) <sup>a</sup>	Effective interest rate	Carrying amounts based on effective interest method	
				December 31, 2022	December 31, 2021
<b>BASF SE</b>					
Commercial paper	USD	700		654	248
2.500% Bond 2017/2022	USD	500	2.65%	–	441
1.375% Bond 2018/2022	GBP	250	1.52%	–	297
2.000% Bond 2012/2022	EUR	1,250	1.93%	–	1,251
0.925% Bond 2017/2023	USD	850	0.83%	795	739
0.101% Bond 2020/2023	EUR	1,000	0.14%	1,000	999
0.875% Bond 2016/2023	GBP	250	1.06%	281	297
2.500% Bond 2014/2024	EUR	500	2.60%	499	499
1.750% Bond 2017/2025	GBP	300	1.87%	337	356
0.875% Bond 2018/2025	EUR	750	0.97%	748	748
3.675% Bond 2013/2025	NOK	1,450	3.70%	138	145
0.750% Bond 2022/2026	EUR	1,000	0.82%	998	–
0.250% Bond 2020/2027	EUR	1,000	0.32%	997	996
0.875% Bond 2017/2027	EUR	1,000	1.04%	992	990
3.125% Bond 2022/2028	EUR	750	3.27%	745	–
2.670% Bond 2017/2029	NOK	1,600	2.69%	152	160
0.875% Bond 2019/2029	EUR	250	1.01%	248	248
1.500% Bond 2018/2030	EUR	500	1.63%	496	495
1.500% Bond 2016/2031	EUR	200	1.58%	199	199
1.500% Bond 2022/2031	EUR	1,000	1.53%	997	–
0.875% Bond 2016/2031	EUR	500	1.01%	495	494
2.370% Bond 2016/2031	HKD	1,300	2.37%	156	147
3.750% Bond 2022/2032	EUR	750	3.85%	744	–
1.450% Bond 2017/2032	EUR	300	1.57%	297	297

<sup>a</sup> As of the balance sheet date

Continued on next page

Continued from previous page

**Financial indebtedness**

Million €

				Carrying amounts based on effective interest method		
		Currency	Nominal value (million, currency of issue)	Effective interest rate	December 31, 2022	December 31, 2021
3.000%	Bond 2013/2033	EUR	500	3.15%	494	493
2.875%	Bond 2013/2033	EUR	200	2.96%	198	198
4.000%	Bond 2018/2033	AUD	160	4.24%	100	100
1.625%	Bond 2017/2037	EUR	750	1.73%	739	739
3.250%	Bond 2013/2043	EUR	200	3.27%	200	200
1.025%	Bond 2018/2048	JPY	10,000	1.03%	71	77
3.890%	U.S. private placement series A 2013/2025	USD	250	3.92%	234	221
4.090%	U.S. private placement series B 2013/2028	USD	700	4.11%	655	617
4.430%	U.S. private placement series C 2013/2034	USD	300	4.45%	281	264
<b>BASF Finance Europe N.V.</b>						
3.625%	Bond 2018/2025	USD	200	3.69%	187	176
0.750%	Bond 2016/2026	EUR	500	0.88%	497	497
<b>Other bonds</b>					<b>116</b>	<b>110</b>
<b>Bonds and other liabilities to the capital market</b>					<b>15,743</b>	<b>13,737</b>
Liabilities to credit institutions					3,273	3,447
<b>Financial indebtedness</b>					<b>19,016</b>	<b>17,184</b>

**Breakdown of financial indebtedness by currency**

Million €

	Dec. 31, 2022	Dec. 31, 2021
Euro	13,790	11,611
U.S. dollar	3,258	3,255
Pound sterling	619	950
Norwegian krone	290	305
Indian rupee	176	154
Hong Kong dollar	156	147
Argentinian peso	128	99
Japanese yen	102	119
Australian dollar	100	100
Brazilian real	85	61
Turkish lira	74	63
South African rand	63	33
Chinese renminbi	57	168
Indonesian rupiah	52	45
Thai baht	51	55
Other currencies	15	19
<b>Total</b>	<b>19,016</b>	<b>17,184</b>

**Maturities of financial indebtedness**

Million €

	Dec. 31, 2022	Dec. 31, 2021
Following year 1	3,844	3,420
Following year 2	1,300	2,208
Following year 3	1,918	1,280
Following year 4	2,177	1,892
Following year 5	2,381	1,177
Following year 6 and maturities beyond this year	7,395	7,207
<b>Total</b>	<b>19,016</b>	<b>17,184</b>

**Other bonds**

Other bonds consisted of a bond issued by BASF Corporation that was used to finance investments in the United States. Both the nominal interest rate and effective interest rate of this bond were 6.95% in 2022. Its remaining term to maturity is 66 months.

**Liabilities to credit institutions**

Liabilities to credit institutions decreased from €3,447 million as of December 31, 2021 to €3,273 million as of December 31, 2022. The weighted average interest rate on loans amounted to 5.7% in 2022, compared with 2.7% in 2021.

**Unused credit lines**

BASF SE had committed and unused credit lines with variable interest rates, when drawn, amounting to €9,350 million as of December 31, 2022, and €6,000 million as of December 31, 2021.


**Other liabilities**

Million €

	December 31, 2022		December 31, 2021	
	Noncurrent	Current	Noncurrent	Current
Derivatives with negative fair values	93	294	131	438
Liabilities from leases	1,159	329	1,078	334
Loan and interest liabilities	21	425	35	505
Advances received on orders	–	926	–	949
Miscellaneous liabilities	52	781	26	753
<b>Other liabilities that qualify as financial instruments</b>	<b>1,325</b>	<b>2,756</b>	<b>1,270</b>	<b>2,978</b>
Liabilities related to social security	49	100	63	79
Employee liabilities	22	297	22	294
Liabilities from precious metal trading positions	–	56	–	201
Contract liabilities	176	37	201	40
Deferred income	16	53	17	32
Miscellaneous liabilities	18	70	28	56
<b>Other liabilities that do not qualify as financial instruments</b>	<b>282</b>	<b>612</b>	<b>330</b>	<b>701</b>
<b>Other liabilities</b>	<b>1,606</b>	<b>3,368</b>	<b>1,600</b>	<b>3,679</b>

**Other liabilities**

The majority of **contract liabilities** have terms of up to five years. Of the contract liabilities reported as of December 31, 2022, €37 million are expected to be recognized as revenue in 2023.

 For more information on financial risks and derivative instruments, see Note 26 from page 269 onward

For more information on liabilities arising from leases, see Note 16 from page 250 onward

**Carrying amounts of assets used to secure liabilities**

Million €

	Dec. 31, 2022	Dec. 31, 2021
To secure		
liabilities to credit institutions	15	64
accounts payable, trade	3	11
other liabilities	51	170
<b>Carrying amounts of assets used</b>	<b>69</b>	<b>245</b>

**Liabilities to credit institutions** were secured primarily with registered land charges. Secured **other liabilities** relate primarily to derivatives with negative fair values that are secured with other receivables and miscellaneous assets.

## 22 Provisions for pensions and similar obligations

### Accounting policies

In addition to state pension plans, most employees are granted company pension benefits from either defined contribution or defined benefit plans. Benefits generally depend on years of service, contributions or compensation, and take into consideration the legal framework of labor, tax and social security laws of the countries where the companies are located. To limit the risks of changing financial market conditions as well as demographic developments, employees have, for a number of years now, been almost exclusively offered defined contribution plans for future years of service.

The Group Pension Committee monitors the risks of all pension plans of the Group with regard to the financing of pension commitments and the portfolio structure of existing plan assets. The organization, responsibilities, strategy, implementation and reporting requirements are documented for the units involved.

The accounting policies presented in the following relate to defined benefit pension obligations.

Provisions for pensions are calculated on an actuarial basis in accordance with the projected unit credit method. Assumptions relating to the following valuation parameters, among others are used: future developments in compensation, pensions and inflation, employee turnover, and the life expectancy of beneficiaries. Obligations are discounted based on the market yields on high-quality corporate fixed-rate bonds.

Similar obligations, especially those arising from commitments by North American Group companies to pay the healthcare costs and life insurance premiums of retired staff and their dependents, are reported under provisions for similar obligations.

Actuarial reports are used to calculate the amount of pension provisions.

Actuarial gains and losses from changes in estimates relating to the actuarial assumptions used to calculate defined benefit obligations, the difference between standardized and actual returns on plan assets, as well as the effects of the asset ceiling are recognized directly in equity as other comprehensive income.

### Economic and legal environment of the plans

In some countries – especially in Germany, in the United States, in the United Kingdom and in Switzerland – there are pension obligations subject to government supervision or similar legal restrictions. For example, there are minimum funding requirements to cover pension obligations, which are based on actuarial assumptions that differ from those pursuant to IAS 19. Furthermore, there are qualitative and quantitative restrictions on allocating plan assets to certain asset categories. This could result in annual fluctuations in employer contributions, financing measures and the assumption of obligations in favor of the pension funds to comply with regulatory requirements.

The obligations and the plan assets used to fund the obligations are exposed to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments on commodity and capital markets. They affect, for example, pension adjustments based on the level of inflation in Germany and in the United Kingdom, as well as the impact of discount rates on the amount of the defined benefit obligation.

The strategy of the BASF Group with regard to financing pension commitments takes into account country-specific supervisory and tax regulations.

In some countries, pension benefits were granted for which the employer has a subsidiary liability. Pension benefits in a number of countries include minimum interest guarantees to a limited extent. If the pension fund cannot generate the income needed to provide the minimum guarantee, this must be provided by the employer under the subsidiary liability. To the extent that recourse to the employer is unlikely based on the structure and execution of the pension benefits

as well as the asset situation of the pension fund, these plans are treated as defined contribution plans.

### Description of the defined benefit plans

The following section describes the typical plan structure in the individual countries. Different arrangements may exist, in particular due to the assumption of plans as part of acquisitions; however, these do not have any material impact on the description of plans in the individual countries.

#### Germany

For BASF SE and German Group companies, a basic level of benefits is provided by BASF Pensionskasse VVaG, a legally independent plan, which is financed by employer and employee contributions as well as the return on plan assets. BASF SE ensures the necessary contributions to adequately finance the benefits promised by BASF Pensionskasse VVaG. Some of the benefits financed via BASF Pensionskasse VVaG are subject to adjustments that must be borne by its member companies to the extent that these cannot be borne by BASF Pensionskasse VVaG due to the regulations imposed by the German supervisory authority. In 2004, the basic benefit plan was closed for newly hired employees at German BASF companies and replaced by a defined contribution plan. A new defined contribution plan was introduced as of July 1, 2021, for new hires in the German BASF companies. At BASF SE, occupational pension promises that exceed the basic level of benefits are financed under a contractual trust arrangement by BASF Pensionstreuhand e.V.; at German Group companies, these benefits are financed primarily via pension provisions. As of 2022, new employees receive a securities-based pension award while other employees are granted benefits primarily based on cash balance plans. Furthermore, employees are given the option of participating in various deferred compensation schemes.

**United States**

Employees are granted benefits based on defined contribution plans.

Effective 2010, the existing defined benefit plans were closed to further increases in benefits based on future years of service, and benefits earned in the past were frozen. There is no entitlement to pension adjustments to compensate for cost-of-living increases.

The legal and regulatory frameworks governing the plans are based on the U.S. Employee Retirement Income Security Act (ERISA), which requires the plan sponsor to ensure a minimum funding level. Any employer contributions necessary to meet the minimum funding level are based on the results of an actuarial valuation. Furthermore, there are unfunded pension plans that are not subject to ERISA requirements.

Additional similar obligations arise from plans that assume the healthcare costs and life insurance premiums of retired employees and their dependents. Such plans have been closed to new entrants since 2007. In addition, the amount of the benefits for such plans has been frozen.

**Switzerland**

The employees of the BASF Group in Switzerland receive a company pension, which is financed through a pension fund by employer and employee contributions as well as the return on plan assets. The pension plans are accounted for as defined benefit plans, as the obligatory minimum pension guaranteed by law under the Swiss Pension Fund Act (BVG) is included in the scheme. All benefits vest immediately. According to government regulations, the employer is obligated to make contributions, so that the pension funds are able to grant the minimum benefits guaranteed by law. The pension funds are managed by boards, where employer and employees are equally represented, which steer and monitor the benefit plans and asset allocation.

**United Kingdom**

Employees are granted benefits based on a defined contribution plan.

The BASF Group also maintains defined benefit plans in the United Kingdom, which have been closed for further increases based on future years of service. Adjustments to compensate for increases in the cost of living until the beginning of retirement are legally required for beneficiaries of defined benefit plans.

The financing of the pension plans is determined by the provisions of the regulatory authority for pensions and the relevant social and labor law requirements. The defined benefit plans are administered by a trust company, whose Board of Trustees, according to the trustee agreement and law, represents the interests of the beneficiaries and ensures that the benefits can be paid in the future. The required funding is determined using technical valuations according to local regulations every three years.

**Other countries**

For Group companies in other countries, defined benefits are covered in some cases by pension provisions, but mainly by external insurance companies or pension funds.

**Actuarial assumptions**

The valuation of the defined benefit obligation is based on the following key assumptions:

**Assumptions used to determine the defined benefit obligation as of December 31**

	Germany		United States		Switzerland		United Kingdom	
	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	3.70	1.10	5.30	2.70	2.20	0.40	4.80	2.00
Projected pension increase	2.20	1.60	-	-	-	-	3.40	3.50

**Assumptions used to determine expenses for pension benefits in the respective business year**

	Germany		United States		Switzerland		United Kingdom	
	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	1.10	0.70	2.70	2.30	0.40	0.10	2.00	1.50
Projected pension increase	1.60	1.50	-	-	-	-	3.50	3.10

The assumptions used to ascertain the defined benefit obligation as of December 31 are used in the following year to determine the expenses for pension plans.

A Group-wide, uniform procedure has thus far been used to determine the discount rates applied for valuation of material pension obligations of the BASF Group. Accordingly, the discount rates were derived from the yields on corporate bonds in the respective currency zones with an issue volume of more than 100 million units of the respective currency with a minimum rating of AA- to AA+ from at least one of the following three rating agencies: Fitch, Moody's, or Standard & Poor's. For the determination of material pension obligations in Germany, the United States, Switzerland and the United Kingdom, BASF began using a standard model, the Willis Towers Watson RATE:Link model, to measure

discount rates as of December 31, 2022. At Group level, the new approach led to a rise in obligations of €664 million, primarily attributable to pension plans in Germany. The use of the previous approach would have resulted in an increase to the discount rate of 30 basis points for Germany.

The majority of domestic pension obligations are subject to legally required regular adjustments based on interim inflation developments. An inflation rate of 10% was applied for 2022. The long-term inflation assumption was adjusted in 2022 from 1.60% to 2.20%.

The valuation of the defined benefit obligation is generally performed using the most recent actuarial mortality tables as of December 31 of the respective business year; these were last updated in 2019 for the pension obligations in Germany and in 2021 for the pension obligations in Switzerland. The actuarial mortality tables for the pension obligations in United States were adjusted in 2022.

**Actuarial mortality tables (significant countries) as of December 31, 2022**

Germany	Heubeck Richttafeln 2018G (modified)
United States	Pri-2012 base mortality tables with Scale MP-2021 projection
Switzerland	BVG 2020 generational with CMI 2018 mortality improvement
United Kingdom	S2PxA (standard actuarial mortality tables for self-administered plans (SAPS))

**Sensitivity analysis**

A change in the material actuarial assumptions would have the following effects on the defined benefit obligation:

**Sensitivity of the defined benefit obligation as of December 31**

Million €

	Increase by 0.5 percentage points		Decrease by 0.5 percentage points	
	2022	2021	2022	2021
Discount rate	-1,305	-2,115	1,477	2,420
Projected pension increase	985	1,533	-846	-1,267

An alternative valuation of the defined benefit obligation was performed to determine how changes in the underlying assumptions influence the amount of the defined benefit obligation. A linear extrapolation of these amounts based on alternative changes in the assumptions as well as an addition of combined changes in the individual assumptions is not possible.

**Explanation of the amounts in the statement of income and balance sheet**

**Composition of expenses for pension benefits**

Million €

	2022	2021
Expenses for defined benefit plans	357	423
Expenses for defined contribution plans	344	308
<b>Expenses for pension benefits (recognized in income from operations)</b>	<b>701</b>	<b>731</b>
Net interest expense from underfunded pension plans and similar obligations	102	85
Net interest income from overfunded pension plans	-21	-3
<b>Expenses for pension benefits (recognized in the financial result)</b>	<b>81</b>	<b>82</b>

The interest on the net defined benefit liability at the beginning of the year is recognized in the financial result. This is the difference between the interest cost of the defined benefit obligation and the standardized return on plan assets as well as the interest cost for the asset ceiling. The expected contribution payments and benefits paid over the course of the fiscal year are taken into account when determining net interest.

Net interest expense of the respective fiscal year is based on the discount rate and the defined benefit obligation at the beginning of the year.

**Development of defined benefit obligations**

Million €	2022	2021
Defined benefit obligation as of January 1	28,629	29,840
Current service cost	373	419
Past service cost	2	1
Plan adjustments	-12	-21
Interest cost	379	276
Benefits paid	-1,126	-1,084
Employee contributions	37	37
Actuarial gains/losses	-6,800	-1,496
of which adjustments relating to financial assumptions	-7,712	-1,505
adjustments relating to demographic assumptions	-12	-117
experience adjustments	924	126
Effects from acquisitions and divestitures	0	171
Other changes	-4	-19
Currency effects	192	505
<b>Defined benefit obligation as of December 31</b>	<b>21,670</b>	<b>28,629</b>

In 2022, effects from **plan adjustments** were based on the conversion of a final salary plan to a defined contribution plan for future years of service in the Netherlands. In 2021, benefit entitlements and the corresponding assets from the pension plan in Canada were transferred to an external insurer.

As of December 31, 2022, the weighted average duration of the defined benefit obligation amounted to 13.2 years (previous year: 16.6 years).

**Development of plan assets**

Million €	2022	2021
Plan assets as of January 1	23,130	21,400
Standardized return on plan assets	300	194
Deviation between actual and standardized return on plan assets	-2,641	1,935
Employer contributions	144	151
Employee contributions	37	37
Benefits paid	-1,009	-952
Effects from acquisitions and divestitures	-	216
Plan adjustments	-	-21
Other changes	-21	-264
Currency effects	143	434
<b>Plan assets as of December 31</b>	<b>20,083</b>	<b>23,130</b>

The **standardized return on plan assets** is calculated by multiplying plan assets at the beginning of the year with the discount rate used for existing defined benefit obligations at the beginning of the year, taking into account benefit and contribution payments to be made during the year.

BASF's remaining obligations and plan assets as well as an associated deposit into plan assets relating to the divestiture of the pigments business are presented for the previous year in **effects from acquisitions and divestitures**.

Through continuous monitoring of financing requirements of its pension plans, BASF strives to achieve the necessary yields to fill financing gaps over the course of time. Company contributions for 2023 are currently expected to be around €140 million.

**Development of net defined benefit liability**

Million €	2022	2021
Net defined benefit liability as of January 1	-5,499	-8,440
Current service cost	-373	-419
Past service cost	-2	-1
Plan adjustments	12	0
Interest cost	-379	-276
Standardized return on plan assets	300	194
Deviation between actual and standardized return on plan assets	-2,641	1,935
Actuarial gains/losses of the defined benefit obligation	6,800	1,496
Benefits paid by unfunded plans	117	132
Employer contributions	144	151
Effects from acquisitions and divestitures	0	45
Other changes	-17	-245
Currency effects	-49	-71
Asset ceiling for plan assets	-431	-
<b>Net defined benefit liability as of December 31</b>	<b>-2,018</b>	<b>-5,499</b>
of which defined benefit assets	792	661
provisions for pensions and similar obligations	2,810	6,160



**Regional allocation of defined benefit plans as of December 31**

Million €

	Pension obligations		Plan assets		Asset ceiling		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021	2022	2021
Germany	15,219	20,400	14,108	15,498	–	–	–1,111	–4,902
United States	2,876	3,563	1,977	2,610	–	–	–899	–953
Switzerland	1,561	1,812	2,007	2,212	–431	–	15	400
United Kingdom	1,260	1,967	1,368	2,178	–	–	108	211
Other	754	887	623	632	–	–	–131	–255
<b>Total</b>	<b>21,670</b>	<b>28,629</b>	<b>20,083</b>	<b>23,130</b>	<b>–431</b>	<b>–</b>	<b>–2,018</b>	<b>–5,499</b>

**Explanations regarding plan assets**

The target asset allocation has been defined by using asset liability studies and is reviewed regularly. Accordingly, plan assets are aligned with the long-term development of the obligations, taking into consideration the risks associated with the specific asset classes and the regulations relating to the investment of plan assets. The existing portfolio structure is based on the target asset allocation. In addition, current market assessments are taken into consideration. In order to mitigate risks and maximize returns, a widely spread global portfolio of individual assets is held.

Liability-driven investment (LDI) techniques, such as hedging the risk of changes in interest rates and inflation, are used in some pension plans, especially for U.K. and U.S. plans.

**Structure of plan assets**

%

	2022	2021
Equities	21	26
Debt instruments	42	45
of which for government debtors	16	18
for other debtors	26	27
Real estate	7	6
Alternative investments	29	21
Cash and cash equivalents	1	2
<b>Total</b>	<b>100</b>	<b>100</b>

The asset class **debt instruments** comprises promissory notes and debentures (Pfandbriefe) as well as corporate and government bonds. Government bonds primarily relate to bonds from countries with very high credit ratings, such as the United States, the United Kingdom, Germany and Switzerland. Government bonds from emerging countries are also held to a limited extent. Corporate bonds mainly comprise bonds from creditworthy debtors, although particular high-yield bonds are also held to a limited extent. In connection with the continuous monitoring of default risk based on a given risk budget and on the observation of the development of the creditworthiness of issuers, the plan asset allocation may be adjusted in the case of a revised market assessment. **Alternative investments** largely comprise investments in private and

infrastructure equity, absolute return funds and senior secured loans.

Almost all of the **equities** are priced on active markets. The category **debt instruments** includes promissory notes and debentures (Pfandbriefe) acquired through private placements with a market value in the amount of €138 million as of December 31, 2022, and €188 million as of December 31, 2021. For such securities, especially those held by domestic pension plans, there is no active market. There is also no fungible market price for the additional amount of €3,731 million, especially in the category of **alternative investments** and **real estate**. The capital market compensates for this lack of fungibility with yield premiums depending on the maturity.

Plan assets as of the balance sheet date contained securities issued by BASF Group companies with a market value of €0 million in 2022 and €0 million in 2021. The market value of the properties of legally independent pension funds rented to BASF Group companies was €115 million compared with €112 million in the previous year.

To enable Pensionskasse VVaG to meet future regulatory solvency requirements and strengthen its risk-bearing capacity, BASF SE temporarily provided the pension fund with capital in the form of a retrospective initial fund loan with a nominal value of €220 million in 2021; the pension fund utilized €80 million of that amount in the same year on a one-time basis in order to repay the existing profit participation capital. The initial fund loan was increased to a nominal value of €320 million in 2022.

The funding of the plans was as follows:

#### Current funding situation of the pension plans as of December 31

Million €

	2022		2021	
	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
Unfunded pension plans	1,963	–	2,121	–
Funded pension plans	19,707	20,083	26,508	23,130
Asset ceiling	–	–431	–	–
<b>Total</b>	<b>21,670</b>	<b>19,652</b>	<b>28,629</b>	<b>23,130</b>

In accordance with IAS 19.64, an asset ceiling for pension plans in Switzerland came into effect in 2022 in the amount of €431 million. A plan asset surplus exists if a defined benefit plan's assets exceed the plan's obligations. IAS 19 requires the employer to test any such surplus for impairment. If no economic benefit (for example, reduced contributions or a refund) to the company is present, an asset ceiling must be reported.

#### Defined contribution plans and government pensions

The contributions to defined contribution plans recognized in income from operations amounted to €344 million in 2022 and €308 million in 2021.

Contributions to government pension plans were €601 million in 2022 and €578 million in 2021.

## 23 Other provisions

### Accounting policies

Other provisions are recognized when there is a present obligation as a result of a past event and when there is a probable outflow of resources whose amount can be reliably estimated. Provisions are recognized at the probable settlement value.

Provisions for **environmental protection and remediation costs** are recognized for expected costs for rehabilitating contaminated sites, recultivating landfills, removal of environmental contamination at existing production or storage sites, and for similar measures as well as for obligations to surrender emission certificates.

In addition, other provisions also cover expected costs for **restoration obligations** for dismantling existing plants and buildings. If BASF is the only responsible party that can be identified, the provision covers the entire expected obligation. At sites operated together with one or more partners, the provision generally covers only BASF's share of the expected obligation. The amount of the provision is determined based on the available technical information on the site, the technology used, legal regulations, and official requirements. The calculation accounts for expected significant changes in obligations.

Provisions for **restructuring measures** include severance payments to departing employees or similar personnel expenses as well as expected costs for site closures, including costs for demolition and similar measures. Provisions are recognized for these expenses when the relevant measures have been planned and announced by management.

Provisions for **employee obligations** primarily consist of variable compensation including associated social security contributions, as well as obligations for granting long-service bonuses. The latter are predominantly calculated based on actuarial principles.

Provisions for **obligations from sales and purchase contracts** largely comprise obligations arising from rebates granted and other price discounts in the Agricultural Solutions segment, warranties and product liabilities, sales commissions and losses from onerous contracts.

Provisions for **litigation, damage claims, warranties and similar obligations** contain anticipated expenses from lawsuits in which BASF is the defendant party, as well as obligations under damage claims against BASF and fines. In order to determine the amount of the provisions, the company takes into consideration the facts related to each case, the size of the claim, compensation awarded in similar cases and independent expert advice as well as assumptions regarding the probability of a successful claim and the range of possible claims. Actual costs can deviate from these estimates.

 For more information, see Note 24 on page 268

The probable amount required to settle noncurrent provisions is discounted if the effect of discounting is material. In this case, the provision is recognized at present value. Assumptions must be made in determining the discount rate used for calculating noncurrent provisions (2022: between 1.0% and 2.2%; 2021: 1.25%). Financing costs related to unwinding the discount of provisions in subsequent periods are shown in other financial result.

#### Other provisions

Million €

	December 31, 2022		December 31, 2021	
		Of which current		Of which current
Restoration obligations	158	16	158	21
Environmental protection and remediation costs	946	135	926	94
Employee obligations	1,945	1,522	2,368	1,907
Obligations from sales and purchase contracts	1,658	1,618	1,423	1,379
Restructuring measures	144	121	279	229
Litigation, damage claims, warranties and similar obligations	125	56	79	26
Other	473	331	486	279
<b>Total</b>	<b>5,448</b>	<b>3,799</b>	<b>5,717</b>	<b>3,935</b>

The decrease in provisions for **employee obligations** was mainly attributable to lower accruals for variable compensation components.

The increase in provisions for **obligations from sales and purchase contracts** resulted from higher accruals for rebate programs.

The decrease in provisions for **restructuring measures** was mainly attributable to lower accruals for severance payments.

**Other** includes interest on noncurrent tax provisions.

The following table shows the development of other provisions by category. Other changes include reclassifications to disposal groups, changes in the scope of consolidation, acquisitions, divestitures, currency effects and the reclassification of obligations

to liabilities when the amount and timing of these obligations become known.

#### Development of other provisions in 2022

Million €

	January 1, 2022	Additions	Unwinding of discount	Utilization	Releases	Other changes	December 31, 2022
Restoration obligations	158	19	2	-10	-1	-10	158
Environmental protection and remediation costs	926	67	5	-74	-11	34	946
Employee obligations	2,368	1,538	1	-1,820	-152	10	1,945
Obligations from sales and purchase contracts	1,423	1,374	-	-1,087	-117	64	1,658
Restructuring measures	279	56	-	-116	-73	-2	144
Litigation, damage claims, warranties and similar obligations	79	62	0	-13	-7	4	125
Other	486	194	1	-158	-95	46	473
<b>Total</b>	<b>5,717</b>	<b>3,310</b>	<b>9</b>	<b>-3,278</b>	<b>-455</b>	<b>146</b>	<b>5,448</b>

## 24 Risks from litigation and claims

Since August 2019, BASF Corporation has been served in various U.S. federal and state lawsuits alleging property and resource damages and personal injuries from possible exposure to per- and polyfluoroalkyl substances (PFAS). In December 2018, a multi-district litigation was created to coordinate claims brought against manufacturers, distributors, and suppliers of aqueous film forming foam (AFFF) in particular, which plaintiffs allege contains toxic levels of certain PFAS compounds including perfluorooctanoic acid and perfluorooctane sulfonate. Plaintiffs typically allege that exposure to AFFF has caused loss of use and enjoyment of property, diminished property value, remediation costs, and personal injuries including various types of cancers. The complaints name BASF as a defendant in connection with its 2009 acquisition of Ciba Specialty Chemicals Inc. and the legacy Ciba/BASF Lodyne fluorochemical product lines. BASF is a defendant in over 2,200 lawsuits as of January 2023 and is defending against these claims.

At this time, BASF cannot predict the outcome of resolving these matters or what potential actions may be taken by regulatory agencies. An adverse outcome could be material to BASF's financial results.

Furthermore, BASF SE and its affiliated companies are defendants in or parties to a variety of legal or regulatory proceedings on a recurring basis. To our current knowledge, none of these proceedings will have a material effect on the economic situation of BASF.

## 25 Other financial obligations

The figures listed below are stated at nominal value:

### Other financial obligations

Million €

	Dec. 31, 2022	Dec. 31, 2021
Bills of exchange	5	3
Guarantees	41	383
Warranties	33	58
Collateral granted on behalf of third-party liabilities	1	1
Initiated investment projects	13,982	4,761
of which purchase commitments	5,019	1,481
for the purchase of intangible assets	10	10
Payment and loan commitments and other financial obligations	293	263

BASF SE provides a guarantee to Abu Dhabi National Oil Corporation covering all obligations of Wintershall Dea Middle East GmbH related to the Ghasha concession in the United Arab Emirates. Furthermore, BASF SE assumed guarantees to the Danish Energy Agency covering all obligations of Wintershall Dea International GmbH and Wintershall Noordzee B.V. related to licenses for exploration and production of hydrocarbons in the Danish concession area. The guarantees do not stipulate a maximum amount. The risk of a claim being exercised against the guarantees is classified as low. The decline in guarantees resulted primarily from the fact that BASF SE's guarantees were no longer in existence for abandonment obligations of Wintershall Dea Norge AS for various oil and gas facilities acquired from Equinor as of December 31, 2022.

The rise in obligations from **initiated investment projects** is mainly attributable to the construction of BASF's new Verbund site in Zhanjiang, China.

## Obligations arising from purchase contracts

Obligations from purchase contracts resulted primarily from long-term purchase obligations for raw materials as well as supply agreements for energy from renewable sources. The decline is mainly attributable to lower purchase obligations for raw materials.

 For more information on long-term energy supply agreements, see the chapter on Energy and climate protection in the Management's Report from page 135 onward

Firm purchase obligations as of December 31, 2022, were as follows:

### Obligations arising from purchase contracts

Million €

	Dec. 31, 2022	Dec. 31, 2021
Following year 1	9,353	9,686
Following year 2	2,703	4,963
Following year 3	2,150	1,832
Following year 4	2,058	1,716
Following year 5	1,975	1,720
Following year 6 and maturities beyond this year	8,876	9,644 <sup>a</sup>
<b>Total</b>	<b>27,116</b>	<b>29,561</b>

<sup>a</sup> Pursuant to IAS 8 a retrospective adjustment to obligations from purchase contracts was carried out in the amount of €2,179 million.

## 26 Supplementary information on financial instruments

### 26.1 Accounting policies

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the BASF Group becomes a party to a financial instrument. Financial assets are derecognized when BASF no longer has a contractual right to the cash flows from the financial asset or when the financial asset is transferred together with all material risks and rewards of ownership and BASF does not have control of the financial asset after it has been transferred. For example, receivables are derecognized when they are definitively found to be uncollectible such as in the event of concluded insolvency proceedings. Financial liabilities are derecognized when the contractual obligations expire, are discharged or cancelled. Regular-way purchases and sales of financial instruments are accounted for using the settlement date; in precious metal trading, the trade date is used.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If pricing on an active market is available, for example in the form of exchange prices, these are used as the basis for the measurement. Otherwise, the measurement is based on either internal measurement models using current market parameters or external measurements, for example, from banks. These internal measurements rely predominantly on the net present value method and option pricing models. These models incorporate, for example, expected future cash flows as well as discount factors adjusted for term and, potentially, risk. Depending on the availability of market parameters, BASF assigns financial instruments' market values one of the three levels of the fair value hierarchy pursuant to IFRS 13. Reassignment to a different level during a fiscal year is only carried out if the availability of observable market parameters for identical or similar items changes.

The classification and measurement of financial assets is based on the one hand on the cash flow condition (the “solely payments of principle and interest” criterion), that is, the contractual cash flow characteristics of an individual financial asset. On the other hand, it also depends on the business model used for managing financial asset portfolios. Based on these two criteria, BASF uses the following measurement categories for financial assets:

- **Financial assets measured at fair value through profit or loss** include all financial assets whose cash flows are not solely payments of principal and interest in accordance with the cash flow condition established in IFRS 9. At BASF, derivatives, for example, are allocated to this measurement category. In general, BASF does not exercise the fair value option in IFRS 9, which permits the allocation of financial instruments not to be measured at fair value through profit or loss on the basis of the cash flow condition or the business model criterion to the above category under certain circumstances.

- **Financial assets measured at amortized cost** include all assets with contractual terms that give rise to cash flows on specific dates, provided that these cash flows are solely payments of principal and interest on the principal amount outstanding in accordance with the cash flow condition in IFRS 9, to the extent that the asset is held with the intention of collecting the expected contractual cash flows over its term. At BASF, this measurement category includes trade accounts receivable, as well as receivables reported under other receivables and miscellaneous assets and certain securities.

Initial measurement of these assets is generally at fair value, which usually corresponds to the transaction price at the time of acquisition or, in the case of trade accounts receivable, to the transaction price pursuant to IFRS 15. Subsequent measurement effects are recognized in income using the effective interest method.

Impairments are recognized for expected credit losses at both initial and subsequent measurement, even before the occurrence of any default event. Counterparties are generally considered to default when they become insolvent, become a debtor in a creditor protection program or are in a finance-related legal dispute with BASF, or more than half of BASF's receivables

portfolio with them is more than 90 days overdue. In these cases, individual impairments are recognized for the financial assets measured at amortized cost that are then considered to be credit impaired.

The extent of expected credit losses is determined based on the credit risk of a financial asset, as well as any changes to this credit risk: If the credit risk of a financial asset has increased significantly since initial recognition, expected credit losses are generally recognized over the lifetime of the asset. If, however, the credit risk has not increased significantly in this period, impairments are generally only recognized as 12-month expected credit losses. By contrast, under the simplified approach for determining expected credit losses permitted by IFRS 9, impairments for receivables such as lease receivables and trade accounts receivable always cover the lifetime expected credit losses of the receivable concerned.

At BASF, the credit risk of a financial asset is assessed using both internal information and external rating information on the respective counterparty. A significant increase in the counterparty's credit risk is assumed if its rating is lowered by a certain number of notches. It is generally assumed that the credit risk for a counterparty with a high credit rating will not have increased significantly.

Regional and, in certain circumstances, industry-specific factors and expectations are taken into account when assessing the extent of impairment as part of the calculation of expected credit losses and individual impairments. In addition, BASF uses internal and external ratings and the assessments of debt collection agencies and credit insurers, when available. Individual impairments are also based on experience relating to customer solvency and customer-specific risks. Factors such as credit insurance, which covers a portion of receivables measured at amortized cost, are likewise considered when calculating impairments. Bank guarantees and letters of credit are used to an immaterial extent. Expected credit losses and individual impairments are only calculated for those receivables that are not covered by insurance or other collateral. Impairments on receivables whose insurance includes a deductible are not recognized in excess of the amount of the deductible.

A decrease in impairment due, for example, to a reduction in the credit risk of a counterparty or an objective event occurring after the impairment is recorded in profit or loss. Reversals of impairments may not exceed amortized cost, less any expected future credit losses.

- **Financial assets measured at fair value through other comprehensive income** include all assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding, in accordance with the cash flow condition in IFRS 9. Furthermore, the assets in this measurement category may not just be held with the intention of collecting the expected contractual cash flows over their term, but also generating cash flows from their sale. At BASF, certain securities that are reported as other financial assets or marketable securities are allocated to this category. BASF does not exercise the option to subsequently measure equity instruments through other comprehensive income.

Assets measured at fair value through other comprehensive income are initially measured at fair value, which usually corresponds to the transaction price of the securities allocated to this category at the time of acquisition. Subsequent measurement is likewise at fair value. Changes in the fair value are recognized in other comprehensive income and reclassified to the statement of income when the asset is disposed of.

Impairments on financial assets measured at fair value through other comprehensive income are calculated in the same way as impairments on financial assets measured at amortized cost and recognized in profit or loss.

The following measurement categories are used for financial liabilities:

- **Financial liabilities measured at amortized cost** generally include all financial liabilities, provided these do not represent derivatives. They are generally measured at fair value at the time of initial recognition, which usually corresponds to the value of the consideration received. Subsequent measurement is recognized in profit or loss at amortized cost using the effective interest method. At BASF, for example, bonds and liabilities to banks reported under financial indebtedness are measured at amortized cost.
- **Financial liabilities measured at fair value through profit or loss** contain derivative financial liabilities. These are likewise measured at the value of the consideration received as the fair value of the liability on the date of initial recognition. Fair value is also applied as a measurement basis for these liabilities in subsequent measurement. The option to subsequently measure non-derivative financial liabilities at fair value is not exercised. Derivative financial instruments can be embedded within other contracts, creating a hybrid financial instrument. If IFRS policies require separation, the embedded derivative is accounted for separately from its host contract and measured at fair value. If IFRS 9 does not provide for separation, the hybrid instrument is accounted for at fair value in its entirety.

**Financial guarantees** of the BASF Group are contracts that require compensation payments to be made to the guarantee holder if a debtor fails to make payment when due under the terms of a transaction entered into with the holder of the guarantee. Financial guarantees issued by BASF are measured at fair value upon initial recognition. In subsequent periods, these financial guarantees are carried at the higher of amortized cost or the best estimate of the present obligation as of the reporting date.

In **cash flow hedges**, future cash flows and the related income and expenses are hedged against the risk of changes in fair value. To this end, future underlying transactions and the corresponding hedging instruments are designated in a cash flow hedge accounting relationship for accounting purposes. The effective portion of the change in fair value of the hedging instrument, which often meets the definition of a derivative, and the cost of hedging are recognized directly in equity under other comprehensive income over the term of the hedge, taking deferred taxes into account. The ineffective portion is recognized immediately in the income statement. In the case of future transactions that lead to recognition of a nonfinancial asset or a nonfinancial liability, the cumulative fair value changes of the hedge in equity are generally charged against the cost of the hedged item on its initial recognition. For hedges based on financial assets, financial liabilities or future transactions, cumulative fair value changes of the hedges are transferred from equity to the income statement in the reporting period in which the hedged item is recognized in the income statement. The maturity of the hedging instrument is aligned with the effective date of the future transaction.

When **fair value hedge** accounting is used, the asset or liability recognized is hedged against the risk of a change in fair value. The hedging instruments used, which often take the form of a derivative, are measured at fair value and changes in fair value are recognized in the statement of income. The carrying amounts of the assets or liabilities designated as the underlying transaction are also measured at fair value through the statement of income.

## 26.2 Financial risks

### Market risks

**Foreign currency risks:** Changes in exchange rates could lead to losses in the value of financial instruments and adverse changes in future cash flows from planned transactions. Foreign currency risks from financial instruments result from the translation at the closing rate of financial receivables, loans, securities, cash and financial liabilities into the functional currency of the respective Group company. Foreign currency contracts in various currencies are used to hedge foreign exchange risks from nonderivative financial instruments and planned transactions.

The foreign currency risk exposure corresponds to the net amount of the nominal volume of the primary and the derivative financial instruments that are exposed to currency risks. In addition, planned purchase and sales transactions of the respective following year are included if they fall under the currency risk management system. Long and short positions in the same currency are offset against each other.

The sensitivity analysis was conducted by simulating a 5% and 10% appreciation of the respective functional currency against the other currencies. A 5% appreciation of the respective functional currency would have reduced BASF's income before income taxes by €156 million as of December 31, 2022. A 10% appreciation of the respective functional currency would have resulted in a negative effect on BASF's income before income taxes in the amount of €293 million. A 5% appreciation of the respective functional currency would have resulted in a negative effect on BASF's income before income taxes in the amount of €174 million (–€326 million applying 10% appreciation) as of December 31, 2021. The effect from the items designated under hedge accounting would have increased shareholders' equity before income taxes by €15 million applying 5% appreciation to the functional currency, and increased it by €32 million applying 10% appreciation to the functional currency as of December 31, 2022 (2021: reduction of €3 million applying 5% appreciation to the functional currency and increase of €2 million

applying 10% appreciation to the functional currency). This only refers to transactions in U.S. dollars in both years.

#### Exposure and sensitivity by currency

Million €

	December 31, 2022			December 31, 2021		
	Exposure	Sensitivity		Exposure	Sensitivity	
		+5%	+10%		+5%	+10%
USD	1,643	–93	–170	1,712	–128	–231
Other	987	–47	–90	1,011	–49	–94
<b>Total</b>	<b>2,630</b>	<b>–141</b>	<b>–260</b>	<b>2,723</b>	<b>–177</b>	<b>–324</b>

Due to the use of options to hedge currency risks, the sensitivity analysis is not a linear function of the assumed changes in exchange rates.

**Interest rate risks:** Interest rate risks arise from changes in prevailing market interest rates, which can lead to changes in the fair value of fixed-rate instruments and in interest payments for variable-rate instruments. Interest rate swaps and combined interest rate and currency derivatives are used in individual cases to hedge these risks. The derivatives are presented in Note 26.5. Interest rate risks are relevant to BASF's financing activities but are not of material significance for BASF's operating activities.

The variable interest risk exposure, which also includes fixed rate bonds maturing in the following year, amounted to –€2,441 million as of December 31, 2022 (2021: –€2,408 million). An increase in all relevant interest rates by one half of a percentage point would have lowered income before income taxes by €7 million as of December 31, 2022. An increase in all relevant interest rates by one percentage point would have lowered income before income taxes by €15 million as of the same date. An increase in all relevant interest rates by one half of a percentage point would have lowered income before income taxes by €4 million as of December 31, 2021 (an increase of one percentage point would have lowered income before income taxes by €9 million). Because no interest derivatives were designated in hedge accounting relationships as of Decem-

ber 31, 2022, a change in interest rates would not have had an effect on shareholders' equity. There were also no interest derivatives designated in a hedge accounting relationship as of December 31, 2021.

#### Carrying amounts of nonderivative interest-bearing financial instruments

Million €

	December 31, 2022		December 31, 2021	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
Loans	75	92	113	108
Securities	155	208	20	209
Financial indebtedness	16,428	2,588 <sup>a</sup>	14,446	2,738 <sup>a</sup>

<sup>a</sup> Including fixed rate bonds maturing in the following year

#### Nominal and fair values of combined interest rate and currency swaps

Million €

	December 31, 2022		December 31, 2021	
	Nominal value	Fair value	Nominal value	Fair value
<b>Combined interest rate and currency swaps</b>	<b>3,427</b>	<b>265</b>	<b>4,183</b>	<b>102</b>
of which fixed rate	3,427	265	4,183	102

Central benchmark interest rates are being comprehensively revised as part of what is known as the IBOR reform. Accordingly, the interest rates affected by the reform will be phased out and replaced by new ones. The publication of all GBP, EUR, CHF and JPY LIBORs as well as USD LIBORs with maturities of one week and two months was discontinued as of December 31, 2021. Publication of the remaining USD LIBORs is expected to continue until June 30, 2023.

BASF is continuously monitoring developments arising from the IBOR reform to ensure the timely adjustment of existing contracts as well as to identify potential financial risks at an early stage. Particular consideration is given to the carrying amounts or nominal values (derivatives) of contracts that reference an interest rate affected by the reform and therefore may still have to be converted to an

alternative interest rate (contracts yet to be adjusted). As of December 31, 2022, financial liabilities related to contracts yet to be adjusted were identified in the amount of €61 million (December 31, 2021: €302 million). These are variable-rate bank loans referenced to a USD LIBOR. Furthermore, financial assets related to contracts yet to be adjusted were identified in the amount of €43 million (December 31, 2021: €85 million). These are mainly short-term loans, particularly to nonconsolidated subsidiaries, that are referenced to a USD LIBOR (€43 million). No derivatives were identified that are associated with contracts yet to be adjusted.

**Commodity price risks:** Some of BASF's divisions are exposed to strong fluctuations in raw materials prices. These result primarily from raw materials (for example naphtha, benzene, natural gas, LPG condensate) as well as from precious metals. BASF takes the following measures to reduce price risks associated with the purchase of raw materials:

- BASF uses derivatives to hedge the risks of raw materials prices. These are primarily options on crude oil, oil products and natural gas.
- The Catalysts division enters into both short-term and long-term purchase contracts with precious metal and battery metal producers. It also buys precious metals on spot markets from various business partners. The price risk from metals purchased to be sold on to third parties, or for use in the production of catalysts and battery materials, is hedged using derivative instruments. This is mainly performed using forward contracts, which are settled by either entering into offsetting contracts or by delivering the precious metal.
- In the Agricultural Solutions division, the sales prices of products are sometimes pegged to the price of certain agricultural commodities. To hedge the resulting risks, derivatives on agricultural commodities are concluded.

In addition, BASF holds limited unhedged precious metal and oil product positions, which can also include derivatives, for trading on its own account. The value of these positions is exposed to market price volatility and is subject to constant monitoring.

By holding commodity derivatives and precious metal trading positions, BASF is exposed to price risks. The valuation of commodity derivatives and precious metal trading positions at fair value means that adverse changes in market prices could negatively affect the earnings and equity of BASF.

BASF holds several physical power purchase agreements (physical PPAs) with terms of up to 25 years. Under the physical PPAs, BASF procures electricity and associated green electricity certificates, known as guarantees of origin (GoOs). The physical PPAs are eligible for the own use exemption and are therefore not recognized as derivatives in the balance sheet even when electricity and green electricity certificates are purchased at a fixed price.

Furthermore, BASF holds several virtual power purchase agreements (virtual PPAs) in the United States with terms of up to 15 years. The virtual PPAs contain embedded contracts for difference for electricity prices that are recognized separately as derivatives at fair value through profit or loss. In the event of adverse changes in electricity market prices, valuation of the contracts for difference for electricity prices at fair value can lead to negative effects on earnings and equity of BASF.

BASF performs value-at-risk analyses for all commodity derivatives and precious metal trading positions. Value at risk continuously measures the market price risk and quantifies the loss that is not exceeded by a specific confidence level during a defined holding period. BASF bases the value-at-risk calculation on a confidence interval of 95% and a holding period of one day. BASF applies the variance-covariance method to calculate value at risk.

BASF uses value at risk in conjunction with other risk management tools. Besides value at risk, BASF sets volume-based limits as well as exposure and stop-loss limits.

**Exposure due to commodity derivatives**

Million €	December 31, 2022		December 31, 2021	
	Exposure	Value at risk	Exposure	Value at risk
Crude oil, oil products and natural gas	388	23	97	18
Precious metals	46	2	51	1
Agricultural commodities	87	0	58	0
Electricity and green electricity certificates	228	4	388	7

The exposure corresponds to the net amount of all long and short positions of the respective commodity category.

For more information on BASF's financial risks and risk management, see Opportunities and Risks from page 157 onward

**Default and credit risk**

Default and credit risks arise when customers and debtors do not fulfill their contractual obligations. BASF regularly analyzes the creditworthiness of the counterparties and grants credit limits on the basis of this analysis. Due to the global activities and diversified customer structure of the BASF Group, there is no significant concentration of default risk. The carrying amount of all receivables, loans and interest-bearing securities plus the nominal value of financial obligations stemming from contingent liabilities not to be recognized represents the maximum default risk for BASF.

For more information on credit risks, see Note 18 from page 252 onward

**Liquidity risks**

BASF promptly recognizes any risks from cash flow fluctuations as part of liquidity planning. BASF has ready access to sufficient liquid funds from the ongoing commercial paper program and confirmed lines of credit from banks.



### 26.3 Maturity analysis

The interest and principal payments as well as other payments for derivative financial instruments are relevant for the presentation of the maturities of the contractual cash flows from financial liabilities. Future cash flows are not discounted here.

Derivatives are included using their net cash flows, provided they have negative fair values and therefore represent a liability. Derivatives with positive fair values are assets and are therefore not taken into account.

#### Maturities of contractual cash flows from financial liabilities as of December 31, 2022

Million €

	Bonds and other liabilities to the capital market	Liabilities to credit institutions	Accounts payable, trade	Derivative liabilities	Miscellaneous liabilities	Total
2023	3,058	1,143	8,429	295	700	13,625
2024	821	817	2	29	262	1,931
2025	1,956	280	3	65	180	2,484
2026	1,783	908	–	1	137	2,829
2027	2,271	585	–	1	108	2,965
2028 and thereafter	10,211	305	–	14	763	11,293
<b>Total</b>	<b>20,100</b>	<b>4,038</b>	<b>8,434</b>	<b>405</b>	<b>2,150</b>	<b>35,127</b>

#### Maturities of contractual cash flows from financial liabilities as of December 31, 2021

Million €

	Bonds and other liabilities to the capital market	Liabilities to credit institutions	Accounts payable, trade	Derivative liabilities	Miscellaneous liabilities	Total
2022	2,462	1,200	7,820	459	762	12,703
2023	2,230	190	4	37	251	2,712
2024	675	796	2	3	182	1,658
2025	1,812	258	–	52	126	2,248
2026	629	684	–	0	94	1,407
2027 and thereafter	7,608	382	–	57	706	8,753
<b>Total</b>	<b>15,416</b>	<b>3,510</b>	<b>7,826</b>	<b>608</b>	<b>2,121</b>	<b>29,481</b>

**26.4 Classes and categories of financial instruments**

For trade accounts receivable, other receivables and miscellaneous assets, cash and cash equivalents, as well as trade accounts payable and other liabilities, the carrying amount approximates the fair value.

The financial instruments reported under Derivatives – no hedge accounting, of which fair value level 3, in the table “Carrying amounts and fair values of financial instruments” relate to contracts for difference for electricity prices embedded in virtual power purchase agreements (virtual PPAs). The expected capacity of the solar power plants in Texas, United States, is 250 megawatts. The solar parks are scheduled to go into operation in 2023 (50 megawatts) and 2024 (200 megawatts). The level 3 fair value is determined as the present value of the expected cash flows from the contracts for difference for electricity prices. The key valuation parameters are the expected electricity prices and expected production volumes as well as expected startup date. A change in the key valuation parameters as of December 31, 2022, would have affected the fair value of the contracts for difference for electricity prices as follows:

At the time of initial recognition, the fair values of the contracts for difference for electricity prices, which were calculated using a valuation model, were higher than the respective transaction prices of zero. As these are level 3 fair values, the differences are deferred and reported in the balance sheet together with the positive or negative fair value of the respective contract for difference for electricity prices, according to the valuation model. The differences are amortized over the terms of the contracts using the straight-line method.

As of January 1, 2022, the difference yet to be amortized in profit or loss from a virtual PPA signed in the previous year amounted to €12 million. Further PPAs signed in 2022 resulted in differences of €61 million. In 2022, differences amounting to €3 million were amortized in profit or loss and recognized as other operating income in the income statement. After proportional amortization, differences yet to be amortized in profit or loss remained in the amount of €70 million as of December 31, 2022.

The carrying amount of the virtual PPA signed in the previous year reported in the balance sheet under other liabilities was €1 million as of January 1, 2022, after subtracting the difference of €12 million. As of December 31, 2022, the carrying amounts of the virtual PPAs

amounted to €8 million and –€17 million after subtracting the differences in the amount of €70 million; they are reported in the balance sheet under other receivables and miscellaneous assets or other liabilities. The changes in carrying amounts were recognized in the income statement as other operating income or other operating expenses.

**Sensitivities virtual PPA contracts for difference for electricity prices (United States)**

Million €

Change in expected electricity prices		Change in expected production volumes		Date of startup <sup>a</sup>	
+10%	-10%	+10%	-10%	3 months later than expected	3 months earlier than expected
22	-22	6	-6	-3	3

<sup>a</sup> Due to differing forward prices for electricity in the relevant months and the seasonality of solar power generation, linear extrapolation of the values is not possible.

## Carrying amounts and fair values of financial instruments as of December 31, 2022

Million €

	Carrying amount	Total carrying amount within scope of application of IFRS 7	Valuation category in accordance with IFRS 9 <sup>a</sup>	Fair value	Of which fair value level 1 <sup>c</sup>	Of which fair value level 2 <sup>d</sup>	Of which fair value level 3 <sup>e</sup>
Shareholdings <sup>a</sup>	539	539	FVTPL	0	–	0	–
Receivables from finance leases	34	34	n/a	34	–	–	–
Accounts receivable, trade	11,787	11,787	AC	11,787	–	–	–
Accounts receivable, trade	268	268	FVTPL	268	–	268	–
Derivatives – no hedge accounting	1,030	1,030	FVTPL	1,054	1	1,021	32 <sup>g</sup>
Derivatives – hedge accounting	317	317	n/a	317	–	317	–
Other receivables and miscellaneous assets <sup>f</sup>	6,931	1,346	AC	1,346	–	–	–
Other receivables and miscellaneous assets <sup>f</sup>	89	89	FVTPL	89	–	89	–
Securities	25	25	AC	25	–	–	–
Securities	120	120	FVTOCI	120	42	78	–
Securities	668	668	FVTPL	668	204	464	–
Cash equivalents	447	447	FVTPL	447	447	–	–
Cash and cash equivalents	2,069	2,069	AC	2,069	–	–	–
<b>Total assets</b>	<b>24,324</b>	<b>18,739</b>		<b>18,224</b>	<b>694</b>	<b>2,237</b>	<b>32</b>
Bonds	15,088	15,088	AC	13,946	12,533	1,413	–
Commercial paper	654	654	AC	654	–	–	–
Liabilities to credit institutions	3,273	3,273	AC	3,175	–	3,175	–
Liabilities from leases	1,488	1,488	n/a	1,488	–	–	–
Accounts payable, trade	8,434	8,434	AC	8,434	–	–	–
Derivatives – no hedge accounting	386	386	FVTPL	340	10	359	–29 <sup>h</sup>
Derivatives – hedge accounting	1	1	n/a	1	–	1	–
Other liabilities <sup>f</sup>	3,099	2,205	AC	2,205	–	–	–
<b>Total liabilities</b>	<b>32,423</b>	<b>31,529</b>		<b>30,243</b>	<b>12,543</b>	<b>4,948</b>	<b>–29</b>

<sup>a</sup> In general, only significant shareholdings are measured at fair value. All insignificant shareholdings are measured at cost (carrying amount: €539 million). Fair value level 1 is applied to publicly listed shareholdings. Level 2 is applied to shareholdings for which valuation is based on parameters observable in the market to the greatest extent possible. These may be adjusted to reflect valuation-relevant characteristics of the respective shareholding in the fair value.

<sup>b</sup> AC: amortized cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss; a more detailed description of the categories can be found in Note 26.1 from page 269 onward.

<sup>c</sup> Fair value was determined based on quoted, unadjusted prices on active markets.

<sup>d</sup> Fair value was determined based on parameters for which directly or indirectly quoted prices on active markets were available.

<sup>e</sup> Fair value was determined based on parameters for which there was no observable market data.

<sup>f</sup> Does not include separately shown derivatives or receivables and liabilities from finance leases. If miscellaneous receivables are valued at fair value through profit or loss, their valuation is generally based on parameters observable on the market. These are adjusted to reflect valuation-relevant characteristics of the respective assets in the fair value.

<sup>g</sup> The carrying amount of the contract for difference for electricity prices reported in the balance sheet under other receivables and miscellaneous assets is €8 million after subtracting the differences of €24 million described on page 274.

<sup>h</sup> The carrying amount of the contract for difference for electricity prices reported in the balance sheet under other liabilities is €17 million after subtracting the differences of €46 million described on page 274.

## Carrying amounts and fair values of financial instruments as of December 31, 2021

Million €

	Carrying amount	Total carrying amount within scope of application of IFRS 7	Valuation category in accordance with IFRS 9 <sup>a</sup>	Fair value	Of which fair value level 1 <sup>c</sup>	Of which fair value level 2 <sup>d</sup>	Of which fair value level 3 <sup>e</sup>
Shareholdings <sup>a</sup>	514	514	FVTPL	0	–	0	–
Receivables from finance leases	44	44	n/a	44	–	–	–
Accounts receivable, trade	11,723	11,723	AC	11,723	–	–	–
Accounts receivable, trade	219	219	FVTPL	219	–	219	–
Derivatives – no hedge accounting	729	729	FVTPL	729	13	716	–
Derivatives – hedge accounting	287	287	n/a	296	0	216	80 <sup>d</sup>
Other receivables and miscellaneous assets <sup>f</sup>	6,211	1,351	AC	1,351	–	–	–
Other receivables and miscellaneous assets <sup>f</sup>	90	90	FVTPL	90	–	90	–
Securities	9	9	AC	9	–	–	–
Securities	0	0	FVTOCI	0	–	0	–
Securities	260	260	FVTPL	260	207	53	–
Cash equivalents	236	236	FVTPL	236	236	–	–
Cash and cash equivalents	2,388	2,388	AC	2,388	–	–	–
<b>Total assets</b>	<b>22,710</b>	<b>17,850</b>		<b>17,345</b>	<b>456</b>	<b>1,294</b>	<b>80</b>
Bonds	13,489	13,489	AC	14,617	12,819	1,798	–
Commercial paper	248	248	AC	248	–	–	–
Liabilities to credit institutions	3,447	3,447	AC	3,447	–	–	–
Liabilities from leases	1,412	1,412	n/a	1,412	–	–	–
Accounts payable, trade	7,826	7,826	AC	7,826	–	–	–
Derivatives – no hedge accounting	568	568	FVTPL	557	2	566	–11 <sup>h</sup>
Derivatives – hedge accounting	1	1	n/a	1	0	1	–
Other liabilities <sup>f</sup>	3,298	2,267	AC	2,267	–	–	–
<b>Total liabilities</b>	<b>30,289</b>	<b>29,258</b>		<b>30,375</b>	<b>12,821</b>	<b>2,365</b>	<b>–11</b>

<sup>a</sup> In general, only significant shareholdings are measured at fair value. All insignificant shareholdings are measured at cost (carrying amount: €514 million). Fair value level 1 is applied to publicly listed shareholdings. Level 2 is applied to shareholdings for which valuation is based on parameters observable in the market to the greatest extent possible. These may be adjusted to reflect valuation-relevant characteristics of the respective shareholding in the fair value.

<sup>b</sup> AC: amortized cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss; a more detailed description of the categories can be found in Note 26.1 from page 269 onward.

<sup>c</sup> Fair value was determined based on quoted, unadjusted prices on active markets.

<sup>d</sup> Fair value was determined based on parameters for which directly or indirectly quoted prices on active markets were available.

<sup>e</sup> Fair value was determined based on parameters for which there was no observable market data.

<sup>f</sup> Does not include separately shown derivatives or receivables and liabilities from finance leases. If miscellaneous receivables are valued at fair value through profit or loss, their valuation is generally based on parameters observable on the market. These are adjusted to reflect valuation-relevant characteristics of the respective assets in the fair value.

<sup>g</sup> The carrying amount of the physical PPAs reported in the balance sheet under assets of disposal groups is €71 million after subtracting the differences of €14 million and –€5 million.

<sup>h</sup> The carrying amount of the contract for difference for electricity prices reported in the balance sheet under other liabilities is €1 million after subtracting the difference of €12 million.

**Offsetting of derivative assets and liabilities as of December 31, 2022**

Million €

	Offset amounts			Potential netting volume		
	Gross amount	Amount offset	Net amount	Due to global netting agreements	Relating to financial collateral	Potential net amount
Derivatives with positive fair values	727	-18	708	-141	-288	279
Derivatives with negative fair values	275	-18	257	-141	-21	94

**Offsetting of derivative assets and liabilities as of December 31, 2021**

Million €

	Offset amounts			Potential netting volume		
	Gross amount	Amount offset	Net amount	Due to global netting agreements	Relating to financial collateral	Potential net amount
Derivatives with positive fair values	459	-12	447	-209	-125	112
Derivatives with negative fair values	459	-12	447	-209	-116	121


The table “Offsetting of derivative assets and liabilities” shows the extent to which assets and liabilities were offset in the balance sheet, as well as potential effects from the offsetting of derivatives subject to a legally enforceable global netting agreement (primarily in the form of an ISDA agreement) or similar agreement. For positive fair values of combined interest rate and currency swaps, the respective counterparties provided cash collaterals in an amount comparable to the outstanding fair values.

Deviations from the derivatives with positive fair values and derivatives with negative fair values reported in other receivables and other liabilities at the end of 2022 and 2021 arose from derivatives not subject to any netting agreements. These are not included in the table above.

In addition to the offsetting of derivatives presented in the table above, trade accounts receivable in 2022 were offset against trade accounts payable and advance payments received on orders, which were included in current other liabilities, provided specific netting agreements with customers existed. As a result, trade accounts receivable were reduced by €992 million. The reduction in trade accounts payable was €103 million and the reduction in advance

payments received on orders was €889 million. Accordingly, the net amount for trade accounts receivable was €12,055 million (gross amount before offsetting: €13,047 million). The resulting net amount for trade accounts payable was €8,434 million (gross amount before offsetting: €8,537 million). The net amount for advance payments received on orders was €926 million (gross amount before offsetting: €1,815 million). In 2021, trade accounts receivable were also offset against trade accounts payable and the advance payments received on orders included in current other liabilities. This reduced trade accounts receivable by €805 million. The reduction in trade accounts payable was €36 million and the reduction in advance payments received on orders was €769 million. Accordingly, the net amount for trade accounts receivable was €11,942 million (gross amount before offsetting: €12,747 million). The resulting net amount for trade accounts payable was €7,826 million (gross amount before offsetting: €7,862 million). The net amount for advance payments received on orders was €949 million (gross amount before offsetting: €1,718 million).

The net gains and losses from financial instruments shown in the following table comprise the results of valuations, the amortization of discounts, the recognition and reversal of impairments, results from the translation of foreign currencies as well as interest, dividends and all other effects on the earnings resulting from financial instruments. The line item financial instruments at fair value through profit or loss contains only gains and losses from instruments that are not designated as hedging instruments in a hedging relationship in accordance with IFRS 9.

 Gains and losses from the valuation of securities recognized in equity are shown in development of income and expense recognized in equity attributable to shareholders of BASF SE on page 204

For more information, see the Statement of Changes in Equity on page 208

#### Net gains and losses from financial instruments

Million €

	2022	2021
Financial assets measured at amortized cost	85	318
of which interest result	53	19
Financial instruments measured at fair value through profit or loss	289	608
of which interest result	59	58
Financial assets measured at fair value through other comprehensive income	3	2
of which interest result	3	2
Financial liabilities measured at amortized cost	-701	-726
of which interest result	-461	-324

## 26.5 Derivative financial instruments and hedging relationships

### The use of derivative financial instruments

BASF is exposed to foreign currency, interest rate and commodity price risks during the normal course of business. These risks are hedged using derivative instruments as necessary in accordance with a centrally determined strategy. Hedging is employed for existing underlying transactions from the product business, cash investments and financing as well as for planned sales, raw materials purchases and capital measures. Furthermore, hedging may also be used for cash flows from acquisitions and divestitures. The risks from the hedged items and the derivatives are continually monitored. Where derivatives have a positive market value, BASF is exposed to credit risks from derivative transactions in the event of nonperformance of the other party. To minimize the default risk on derivatives with positive market values, transactions are exclusively conducted with creditworthy banks and partners and are subject to predefined credit limits.

To ensure efficient risk management, risk positions are centralized at BASF SE and certain Group companies. The contracting and execution of derivative financial instruments for hedging purposes are conducted according to internal guidelines, and subject to strict control mechanisms.

The fair values of derivative financial instruments are calculated using valuation models that, if available, use input parameters observable on the market. Exceptions to this are some commodity derivatives, whose valuation is based directly on market prices.

### Hedge accounting

BASF is exposed to commodity price risks in the context of procuring naphtha. Some of the planned purchases of naphtha are hedged using options on oil and oil products. The main contractual elements of these items are aligned with the characteristics of the hedged item. Cash flow hedge accounting was employed for a portion of these hedging relationships in 2022 and 2021. The average exercise price of the designated options was \$737.71 per metric ton as of December 31, 2022 (December 31, 2021: \$675.54 per metric ton). Cash flows from designated hedging instruments and hedged transactions occur in the following year and are also recognized in profit or loss for that year.

Furthermore, cash flow hedge accounting continued to be employed to a minor extent for procuring natural gas, which is likewise exposed to commodity price risks. Commodity price-based options serve as hedging instruments, for which contract terms are defined to reflect the risks of the hedged item. Depending on where trading took place, the average exercise price of the designated options was €71.36 per MWh or \$5.00 per mmBtu as of December 31, 2022. The average exercise price of the designated options was €32.60 per MWh or \$3.74 per mmBtu as of December 31, 2021. Cash flows from the hedging transaction and hedged item are generally recognized in profit or loss for 2023 and 2024.

The change in the options' time value is recognized separately in equity as costs of transaction-related hedging and, in the year during which the hedged items mature, it is initially derecognized against the carrying amount of the procured assets and recognized in profit or loss when the assets are consumed. In 2022, a decrease in fair value of €60 million was recognized in equity, and €49 million was initially derecognized against the carrying amount of the inventories procured and then recognized upon consumption in profit or loss. In 2021, a decrease in fair value of €27 million was recognized as a reduction in equity, and €24 million was derecognized against the carrying amount of the assets.

### Fair value of derivative instruments

Million €

	December 31, 2022	December 31, 2021
Foreign currency forward contracts	165	21
Foreign currency options	19	1
<b>Foreign currency derivatives</b>	<b>184</b>	<b>22</b>
of which designated hedging instruments as defined by IFRS 9 (hedge accounting)	16	0
Combined interest rate and currency swaps	265	102
of which designated hedging instruments as defined by IFRS 9 (hedge accounting)	256	179
<b>Interest derivatives</b>	<b>265</b>	<b>102</b>
<b>Commodity derivatives</b>	<b>511</b>	<b>324</b>
of which designated hedging instruments as defined by IFRS 9 (hedge accounting)	45	107 <sup>a</sup>
<b>Derivative financial instruments</b>	<b>960</b>	<b>447</b>

<sup>a</sup> Of which €71 million reported in the balance sheet under assets of disposal groups

Due to planned sales in U.S. dollars, BASF is exposed to foreign currency risks, which are partially hedged with currency options and designated in a cash flow hedge accounting relationship. The hedged transaction – the designated share of expected sales in U.S. dollars – is calculated based on internal thresholds. The hedged volume is always below the total amount of expected sales in U.S. dollars for the following fiscal year. The average hedged rate was \$1.0255 per euro as of December 31, 2022, and \$1.1630 per euro in the previous year. The impact on earnings from designated transactions in 2022 will be recognized in the following year. The decrease in the options' time value component arising in the amount of €8 million in 2022 was recognized separately in equity as the cost of hedging and resulted in a reduction in equity. Due to the maturity of hedged items, accumulated changes in the options' time values were reclassified as a reduction in earnings in the amount of €9 million. In the previous year, €14 million was recognized as a change in the options' time value component, thereby reducing equity; and €19 million was reclassified as a reduction in earnings.

Furthermore, BASF SE's fixed-rate U.S. private placement of \$1.25 billion, issued in 2013, was converted to euros using cross-currency swaps, as the private placement exposes BASF to a combined interest/currency risk. The hedged interest rate was 4.13% in the fiscal years 2022 and 2021. The hedged foreign exchange rate in both years was \$1.3589 per euro. This hedge was designated as a cash flow hedge.

Furthermore, BASF was exposed to foreign currency risks in 2022 through U.S. dollar-denominated commercial paper. These risks are hedged with foreign currency forward contracts and designated in a cash flow hedge accounting relationship. The average hedged rate was \$1.0683 per euro as of December 31, 2022. In 2022, the changes in value in the amount of €30 million resulting from the change in the forward rate were recognized separately in equity as hedging costs, leading to an increase in equity (2021: €11 million). Of accumulated hedging costs in equity, the amount of €30 million was reclassified in 2022 as time-period-related hedging costs, increasing earnings (2021: €11 million). There was no ineffectiveness at any time during the year.

The effects of the hedging relationships on the balance sheet, the cash flow hedge reserve, hedged nominal value and ineffectiveness to be determined are presented in the following tables by fiscal year.



**Cash flow hedge accounting effects in 2022**

Million €

	Carrying amount of hedging instruments				Cash flow hedge reserve				Change in fair values for assessing ineffectiveness		Recognized ineffectiveness	
	Financial assets	Financial liabilities	Balance sheet item	Nominal value	Accumulated amounts for continuing hedging relationships	Hedging effects recognized in other comprehensive income	Amounts reclassified to profit or loss for realized hedging transactions	Income statement item for recognition of reclassification	Hedging instrument	Hedged transaction	Ineffectiveness amount	Income statement item
Foreign currency risks	17	1	Other receivables and miscellaneous assets / other liabilities	1,215	11	304	-294	Other operating income	10	10	-	n/a
Interest risks	-	-	n/a	-	-	-15	15	Other operating income	-	-	-	n/a
Combined interest/foreign currency risks	256	-	Other receivables and miscellaneous assets	920	2	76	-68	Other financial income	256	259	-	n/a
Commodity price risks	45	-	Other receivables and miscellaneous assets	296	4	181	-111 <sup>a</sup>	Other operating income	4	4	-	n/a
<b>Total</b>	<b>318</b>	<b>1</b>		<b>2,431</b>	<b>17</b>	<b>546</b>	<b>-458</b>		<b>270</b>	<b>273</b>	<b>-</b>	

<sup>a</sup> €166 million was derecognized from the cash flow hedge reserve, reducing the cost of inventories, and recognized in profit or loss upon consumption.

**Cash flow hedge accounting effects in 2021**

Million €

	Carrying amount of hedging instruments				Cash flow hedge reserve				Change in fair values for assessing ineffectiveness		Recognized ineffectiveness	
	Financial assets	Financial liabilities	Balance sheet item	Nominal value	Accumulated amounts for continuing hedging relationships	Hedging effects recognized in other comprehensive income	Amounts reclassified to profit or loss for realized hedging transactions	Income statement item for recognition of reclassification	Hedging instrument	Hedged transaction	Ineffectiveness amount	Income statement item
Foreign currency risks	1	1	Other receivables and miscellaneous assets / other liabilities	508	0	83	-125	Other operating income	0	0	-	n/a
Combined interest/foreign currency risks	179	-	Other receivables and miscellaneous assets	920	-5	89	-85	Other financial income	179	187	-	n/a
Commodity price risks	107	0	Other receivables and miscellaneous assets / assets of disposal groups / other liabilities	488	100	154	- <sup>a</sup>	n/a	100	100	-	n/a
<b>Total</b>	<b>287</b>	<b>1</b>		<b>1,916</b>	<b>95</b>	<b>326</b>	<b>-210</b>		<b>279</b>	<b>287</b>	<b>-</b>	

<sup>a</sup> €59 million was derecognized from the cash flow hedge reserve, reducing the cost of inventories, and recognized in profit or loss upon consumption.

The occurrence of all forecasted transactions was considered to be highly probable at all times during fiscal years 2022 and 2021. Amounts accumulated in the cash flow hedge reserve for commodity price risks are derecognized against the carrying amount of acquired assets once the hedged transaction occurs. Thus, there is no immediate reclassification of the amounts recognized in the cash flow hedge reserve to profit or loss in these cases.

## 27 Capital structure management and statement of cash flows

### Capital structure management

The aim of capital structure management is to maintain the financial flexibility needed to further develop BASF's business portfolio and take advantage of strategic opportunities. The objectives of the company's financing policy are to ensure solvency, limit financial risks and optimize the cost of capital.

Capital structure management focuses on meeting the requirements needed to ensure unrestricted access to the capital market and a solid A rating. The capital structure is managed using selected financial ratios, such as dynamic debt ratios, as part of the company's financial planning.

The equity of the BASF Group as reported in the balance sheet amounted to €40,923 million as of December 31, 2022 (December 31, 2021: €42,081 million); the equity ratio was 48.4% on December 31, 2022 (December 31, 2021: 48.2%).

BASF prefers to access external financing on the capital markets. A commercial paper program is used for short-term financing, while corporate bonds are used for financing in the medium and long term. These are issued in euros and other currencies with different maturities. The goal is to create a balanced maturity profile, achieve a diverse range of investors and optimize BASF's debt capital financing conditions. Since 2020, BASF has employed green corporate bonds to finance the development of sustainable products and projects with a clear environmental benefit.

BASF currently has the following ratings, which were most recently confirmed by Fitch on November 30, 2022, and by Moody's on January 18, 2023. Standard & Poor's confirmed BASF's A rating on August 1, 2022, and adjusted its outlook from stable to negative.

#### Ratings as of December 31, 2022

	Noncurrent financial indebtedness	Current financial indebtedness	Outlook
Fitch	A	F1	stable
Moody's	A3	P-2	stable
Standard & Poor's	A	A-1	negative

#### Ratings as of December 31, 2021

	Noncurrent financial indebtedness	Current financial indebtedness	Outlook
Fitch	A	F1	stable
Moody's	A3	P-2	stable
Standard & Poor's	A	A-1	stable

BASF strives to maintain a solid A rating, which ensures unrestricted access to financial and capital markets.

 For more information on BASF's financing policy, see the Management's Report from page 64 onward

## Statement of cash flows

Cash flows from operating activities contained the following payments:

### Statement of cash flows

Million €

	2022	2021
Income taxes	-1,514	-1,707
of which income tax refunds	358	95
income tax payments	-1,872	-1,802
Interest payments	-353	-318
of which interest received	191	151
interest paid	-544	-469
Dividends received	1,657	711

The noncash earnings from investments that are accounted for using the equity method are eliminated from other items in cash flows from operating activities. That resulted in a loss of €4,499 million, mainly from Wintershall Dea AG, in 2022 and a gain of €960 million in the previous year.

 For more information, see Note 10 from page 231 onward

In order to optimize precious metal stocks, the Group sells precious metals and concurrently enters into agreements to repurchase them at a set price. The cash flows resulting from the sale and repurchase in the amount of €502 million were reported in cash flows from operating activities.

In 2022, cash flows from investing activities included €13 million in payments made for acquisitions. These related to an adjusted purchase price payment for Solvay's polyamide business (2021: €600 million for the acquisition of BASF Shanshan Battery Materials Co., Ltd).

Payments received from divestitures in the amount of €691 million resulted primarily from the sale of shares in the Hollandse Kust Zuid wind farm in the amount of €382 million, the sale of the kaolin minerals business in the amount of €225 million, and the sale of the production site in Quincy, Florida, and associated attapulgitic business in the amount of €60 million. Payments received for divestitures in the amount of €1,030 million in 2021 were mainly from the sale of the pigments business.

 For more information on acquisitions and divestitures, see Note 3 from page 216 onward

Payments made for property, plant and equipment and intangible assets amounted to €4,375 million, €843 million higher than in the previous year.

Cash and cash equivalents in the amount of €2,516 million consist primarily of cash on hand and bank balances with maturities of less than three months. As in the previous year, these were not subject to any utilization restrictions in 2022. However, the repayment of funds from Russia is currently only possible to a limited extent.

The **reconciliation according to IAS 7** breaks down the changes in financial and similar liabilities and their hedging transactions into cash-effective and non-cash-effective changes. The cash-effective changes presented on the left correspond to the figures in cash flows from financing activities.

**Loan liabilities** do not contain any interest components.

**Other financing-related liabilities** primarily comprise liabilities from accounts used for cash pooling with BASF companies not included in the Consolidated Financial Statements. They are reported in miscellaneous liabilities within the balance sheet item other liabilities that qualify as financial instruments.

**Assets/liabilities from hedging transactions** form part of the balance sheet items derivatives with positive and negative fair values respectively and include only those transactions which hedge risks arising from financial indebtedness and financing-related liabilities secured by micro hedges.

 For more information on receivables and miscellaneous assets, see Note 18 from page 252 onward

For more information on liabilities, see Note 21 from page 257 onward

For more information on the statement of cash flows, see the Management's Report from page 65 onward

**Reconciliation according to IAS 7 for 2022**

Million €

	Dec. 31, 2021 <sup>a</sup>	Cash effective in cash flows from financing activities	Non-cash-effective changes					Dec. 31, 2022
			Acquisitions/ divestitures/ changes in the scope of consolidation	Currency effects	Additions from lease contracts	Other effects	Changes in fair value	
Financial indebtedness	17,184	1,473	–	332	–	27	–	19,016
Loan liabilities	441	–114	–	–1	–	–4	–	322
Lease liabilities	1,414	–453 <sup>b</sup>	–4	35	583	–86 <sup>c</sup>	–	1,489
Other financing-related liabilities	342	–52	–70	2	–	28	–	250
<b>Financial and similar liabilities</b>	<b>19,381</b>	<b>854</b>	<b>–74</b>	<b>368</b>	<b>583</b>	<b>–35</b>	<b>–</b>	<b>21,077</b>
Assets/liabilities from hedging transactions	5	–288	–	–	–	–	128	–155
<b>Total</b>	<b>19,386</b>	<b>566</b>	<b>–74</b>	<b>368</b>	<b>583</b>	<b>–35</b>	<b>128</b>	<b>20,922</b>

<sup>a</sup> Balances as of December 31, 2021 also include amounts reclassified to the disposal groups and therefore deviate from balance sheet values.

<sup>b</sup> Lease payments totaled €495 million in 2022. The principal component in the amount of €453 million is presented in cash flows from financing activities. BASF reports interest payments in cash flows from operating activities; these items amounted to €42 million.

<sup>c</sup> Includes mainly disposals from lease contracts.

**Reconciliation according to IAS 7 for 2021**

Million €

	Dec. 31, 2020 <sup>a</sup>	Cash effective in cash flows from financing activities	Non-cash-effective changes					Dec. 31, 2021 <sup>a</sup>
			Acquisitions/ divestitures/ changes in the scope of consolidation	Currency effects	Additions from lease contracts	Other effects	Changes in fair value	
Financial indebtedness	19,214	–2,575	97	411	–	37	–	17,184
Loan liabilities	559	–63	–53	6	–	–8	–	441
Lease liabilities	1,369	–551 <sup>b</sup>	–17	52	622	–61 <sup>c</sup>	–	1,414
Other financing-related liabilities	228	52	54	2	–	6	–	342
<b>Financial and similar liabilities</b>	<b>21,370</b>	<b>–3,137</b>	<b>80</b>	<b>471</b>	<b>622</b>	<b>–26</b>	<b>–</b>	<b>19,381</b>
Assets/liabilities from hedging transactions	–43	–8	–	–	–	–	56	5
<b>Total</b>	<b>21,327</b>	<b>–3,145</b>	<b>80</b>	<b>471</b>	<b>622</b>	<b>–26</b>	<b>56</b>	<b>19,386</b>

<sup>a</sup> Balances as of December 31, 2021 and 2020 also include amounts reclassified to the disposal groups and therefore deviate from balance sheet values.

<sup>b</sup> Lease payments totaled €437 million in 2021. The principal component in the amount of €401 million is presented in cash flows from financing activities. BASF reports interest payments in cash flows from operating activities; these items amounted to €36 million. Advance payments for land use rights at the new Verbund site in Zhanjiang, China, in the amount of €150 million are also included in cash flows from financing activities.

<sup>c</sup> Includes mainly disposals from lease contracts.

**28 Personnel expenses and employees**
**Personnel expenses**

Expenses for wages and salaries, social security contributions and assistance, as well as for pensions totaled €11,400 million in 2022. In the previous year, these amounted to €11,097 million. The rise was mainly attributable to a higher wage and salary level, currency effects, particularly from the U.S. dollar, as well as a higher average number of employees. Declining bonus provisions and lower pension expenses had an offsetting effect.

**Personnel expenses**

Million €

	2022	2021
Wages and salaries	9,102	8,847
Social security contributions and assistance expenses	1,598	1,519
Pension expenses	701	732
<b>Personnel expenses</b>	<b>11,400</b>	<b>11,097</b>

### Number of employees

As of December 31, 2022, the number of employees increased to 111,481 employees compared with 111,047 employees as of December 31, 2021. The rise was primarily due to staff increases in Asia Pacific, especially for the new Verbund site in Zhanjiang, China. Furthermore, the Global Business Services unit contributed to a rise in Germany, Asia Pacific and South America. In addition, the investment project to expand infrastructure and production plants for battery materials at the Schwarzheide site in Germany led to a rise in the number of employees. The divestiture of the kaolin minerals business and the suspension of business activities in Russia had an offsetting impact.

Employees of joint operations are included in the number of employees relative to BASF's share in the company. As of December 31, 2022, a total of 1,196 employees (2021: 1,175 employees) worked at joint operations.

The development of the number of employees in the BASF Group was distributed over the regions as follows:

#### Number of employees as of December 31

	2022	2021
Europe	67,958	67,532
of which Germany	51,703	51,026
North America	16,036	16,753
Asia Pacific	20,452	19,976
South America, Africa, Middle East	7,035	6,786
<b>BASF Group</b>	<b>111,481</b>	<b>111,047</b>
of which apprentices and trainees	3,049	3,028
temporary staff	2,468	2,329

The average number of employees was distributed over the regions as follows:

#### Average number of employees

	2022	2021
Europe	67,621	67,788
of which Germany	51,174	51,144
North America	16,452	16,765
Asia Pacific	20,036	18,464
South America, Africa, Middle East	6,914	6,799
<b>BASF Group</b>	<b>111,023</b>	<b>109,815</b>
of which apprentices and trainees	2,711	2,750
temporary staff	2,642	2,400

The average number of employees increased to 111,023 employees in 2022 (2021: 109,815 employees).

The reasons for the development of the number of employees as described above are also decisive to the rise in average number of employees. Furthermore, the formation of BASF Shanshan Battery Materials Co., Ltd. as of August 31, 2021, had an increasing effect, and the divestiture of the pigments business as of June 30, 2021, had a reducing effect.

On average, 1,188 employees worked at joint operations (2021: 1,143 employees).

 For more information on acquisitions and divestitures, see Note 3 from page 216 onward

## 29 Share price-based compensation programs and BASF incentive share program

### Share price-based compensation programs

In 2022, the BASF Group continued offering its share price-based compensation program (the long-term incentive (LTI) program), known as Strive!, which was launched in 2020. The share price-based compensation program known as "BOP" (BASF Option Program), which had existed since 1999, was offered for the last time in 2020. All option rights granted during the BOP program years remain valid until the end of their respective exercise periods.

Generally, members of the Board of Executive Directors and all senior executives are entitled to participate in the LTI programs.

### Strive!

Strive! is based on a performance share plan and takes into account the achievement of strategic goals and the development of the BASF share and dividend (total shareholder return) over a period of four years.

Participation in Strive! is voluntary for senior executives and is linked to a share ownership obligation. Strive! offers rolling eligibility, without a deadline for participation. Approximately 708 people were eligible to participate in Strive! in 2022. About 94% of eligible senior executives and the Members of the Board of Executive Directors participated. Unlike for senior executives, participation is not voluntary for the members of the Board of Executive Directors and is outlined in their service contracts. The same plan conditions generally apply to members of the Board of Executive Directors.

A Strive! plan includes a four-year performance period with a fixed disbursement date. A target amount is determined at the beginning of each new Strive! plan for every participant. This target amount is converted into a preliminary number of virtual performance share units (PSUs) by dividing it by the average BASF share price in the fourth quarter of the previous year. The number of PSUs that are ultimately paid out at the end of the performance periods depends on the achievement of the three strategic targets: growth (volume growth compared with global chemical production), profitability (increase in EBITDA before special items) and sustainability (CO<sub>2</sub> emissions).

Achievement of each strategic target is calculated for each year of the four-year performance period. Upon conclusion of the performance period, the average degree of target achievement for each strategic goal is equal to the arithmetic mean of the degrees of target achievement for the four years. The total target achievement for the respective Strive! plan is determined by adding the target achievement degree for the three strategic targets after having multiplied each by the corresponding weighting factor. To calculate the final number of PSUs, this weighted target achievement is multiplied by the preliminary number of PSUs. The payment amount upon conclusion of the four-year performance period is calculated by multiplying the final number of PSUs by the average BASF share price for the fourth quarter of the last year of the performance period, plus the accumulated dividend payments in the four fiscal years. The payment occurs in May of the following year and is capped at 200% of the target amount. The payment amount therefore not only reflects achievement of the strategic targets, but performance of BASF's dividend and share price as well (total shareholder return).

A personal investment in BASF shares is the prerequisite for participation in Strive!. Participants are required to own BASF shares amounting to a predetermined percentage of their base salary for the duration of the performance period. A set-up phase applies to first-time participants. During this period, they are required to hold a percentage of shares as their predetermined personal investment. The set-up phase for the 2022 Strive! program ends on December 31, 2025. The 2022 Strive! program has the same fundamental structure as the Strive! programs in previous years.

**Fair value of PSUs and parameters used as of December 31, 2022**

	Strive! program of the year		
	2022	2021	2020
Number of PSUs granted	848,367	823,760	658,814
Number of PSUs vested	212,092	411,880	494,111
Fair value including fluctuation / PSU	€ 35.99	72.16	64.17
Fair value excluding fluctuation / PSU	€ 40.68	78.30	66.84
Weighted target achievement	% 83.33	159.75	119.75
Base price	€ 61.82	57.15	67.85

PSUs vested by the deadline were measured at fair value. Fair value is determined based on the BASF share price of €46.39 on the balance sheet date plus expected dividend payments during the term of the program and taking into account the weighted target achievement rate of the respective Strive! plan. A fluctuation rate of 4% is assumed for the fair value of senior executives' PSUs.

The LTI provision for Strive! rose from €48 million as of December 31, 2021, to €71 million as of December 31, 2022, due to the increased number of vested PSUs. The expense from the addition of provisions totaled €23 million in 2022 and €37 million in 2021.

**BASF Option Program (BOP)**

The "BOP" LTI program last offered in 2020, grants virtual option rights. When exercised, the option rights are settled in cash.

Participation in BOP was voluntary. In order to take part in the program, a participant had to make a personal investment: Participants were required to hold BASF shares representing between 10% and 30% of their respective variable compensation for a two-year period from the granting of the option (holding period). The number of shares to be held was determined by the amount of variable compensation and the volume-weighted average share price on the first trading day after the Annual Shareholders' Meeting.

Participants received four option rights per invested share. Each option consists of two parts, right A and right B, which may be exercised if defined thresholds have been met: The threshold of right A is met if the price of the BASF share has increased by more than 30% in comparison with the base price on the option grant date (absolute threshold). The value of right A is the difference between the market price of BASF shares on the exercise date and the base price; it is limited to 100% of the base price. Right B may be exercised (relative threshold) if the cumulative percentage performance of BASF shares exceeds the percentage performance of the MSCI World Chemicals Index<sup>SM</sup> (MSCI Chemicals). The value of right B is the base price of the option multiplied by twice the percentage by which the BASF share outperforms the MSCI Chemicals Index on the exercise date. It is limited to the closing price on the date of exercise less the calculated nominal value of the BASF share. Right B may only be exercised if the price of the BASF share equals at least the base price. When a two-year vesting period is over, options granted can be exercised until the end of the respective exercise period. During the exercise period, there are certain times (closed periods) during which the options may not be exercised. Each option can only be exercised in full, and one of the thresholds must be exceeded. If the other threshold is not exceeded, the other option right lapses. A participant's maximum gain from exercising an option is limited to five times the original individual investment. Option rights are nontransferable and are forfeited if the

option holders no longer work for the BASF Group or have sold part of their individual investment before the expiry of the two-year vesting period. They remain valid in the case of retirement. For the members of the Board of Executive Directors, the long-term orientation of the program has been strengthened significantly compared with the conditions applying to the other participants. Members of the Board of Executive Directors were required to participate in the BOP program with at least 10% of their actual annual variable compensation. In view of this binding personal investment (in the form of BASF shares), an extended holding period of four years applies. Members of the Board of Executive Directors may only exercise their option rights four years after they have been granted at the earliest (vesting period).

As a result of a resolution by the Board of Executive Directors in 2002 to settle option rights in cash, all outstanding option rights under the 2015 to 2020 programs were valued at fair value as of December 31, 2022. A proportionate provision was recognized for programs in the vesting period.

The number of outstanding options declined from 10,988,512 in 2021 to 9,328,238 in 2022, due mainly to the expiration of options from the 2014 BOP program.

The exercisable options had no intrinsic value as of December 31, 2022, or December 31, 2021.

The models used in the valuation of the option plans are based on the arbitrage-free valuation model according to Black-Scholes. The fair values of the options are determined using the binomial model. Volatility is determined on the basis of the monthly closing prices over a historical period corresponding to the remaining term of the options.

The LTI provision for BOP decreased from €110 million as of December 31, 2021, to €64 million as of December 31, 2022, due to lower fair values and a lower number of outstanding option rights.

In 2021, the amount of €3 million was utilized due to senior executives leaving the company, whereas in 2022 €1 million was utilized due to senior executives leaving the company. Income from the reduction in provisions totaled €46 million in 2022 and €2 million in 2021.

### BASF “Plus” Incentive Share Program

The “plus” incentive share program was introduced in 1999 and is currently available to employees in Germany, other European countries and Mexico. Simultaneous participation in both the “plus” program and an LTI program is not permitted.

Employees who participate in BASF’s “plus” incentive share program and acquire shares in BASF as a personal investment from their variable compensation. For every 10 BASF shares purchased in the program, a participant receives one BASF share at no cost after one, three, five, seven and 10 years of holding these shares. As a rule, the first and second block of 10 shares entitles the participant to receive one BASF share at no extra cost in each of the next 10 years.

The right to receive free BASF shares lapses if a participant sells the individual investment in BASF shares, if the participant stops working for a Group company or one year after retirement. The number of free shares to be granted has developed as follows:

#### Number of free shares to be granted

Shares	2022	2021
As of January 1	3,079,123	3,251,576
Newly acquired entitlements	1,239,700	498,765
Bonus shares issued	-478,925	-547,960
Lapsed entitlements	-1,342,543	-123,258
As of December 31	2,497,355	3,079,123

The free shares to be provided by the company are measured at the fair value on the grant date. Fair value is determined on the basis of the BASF share price, taking into account the present value of dividends, which are not paid during the term of the program. The weighted-average fair value on the grant date amounted to €47.74 for the 2022 program, and €67.71 for the 2021 program.

The fair value of the free shares to be granted is recognized as an expense with a corresponding increase in capital reserves over the term of the program.

Personnel expenses for BASF’s “plus” incentive share program totaled €20 million in 2022 and €27 million in 2021.

### 30 Compensation of the Board of Executive Directors and Supervisory Board

#### Compensation of the Board of Executive Directors and Supervisory Board

Million €


	2022	2021
Non-performance-related and performance-related cash compensation of the Board of Executive Directors	18.5	31.1
Fair value of performance share units allocated to the Board of Executive Directors in the fiscal year as of allocation date	10.0	12.3
<b>Total compensation of the Board of Executive Directors</b>	<b>28.5</b>	<b>43.4</b>
Service costs for members of the Board of Executive Directors	3.7	3.6
Compensation of the Supervisory Board	3.3	3.3
Total compensation of former members of the Board of Executive Directors and their surviving dependents	9.1	14.3
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	160.4	196.9
Guarantees assumed for members of the Board of Executive Directors and the Supervisory Board	–	–

The STI performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. Subject to certain conditions, ROCE is adjusted for special items from acquisitions and divestitures. The conditions for a ROCE adjustment were not met in 2022.

Market valuation of the option rights of active and former members of the Board of Executive Directors resulted in income totaling €2.3 million (2021: €0.8 million) in 2022.

In 2022, members of the Board of Executive Directors were allocated 166,001 performance share units (PSUs) under the LTI performance share program (2021: 187,618 PSUs). Market valuation of the PSUs of members of the Board of Executive Directors resulted in an expense totaling €6.7 million in 2022 (2021: €9.6 million).

 The Compensation Report is available at [basf.com/compensationreport](https://basf.com/compensationreport)

 For more information on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards, see page 182 onward

### 31 Related party transactions

Related parties are legal or natural entities that can exert influence on the BASF Group or over which the BASF Group exercises control or joint control, or a significant influence. These primarily include nonconsolidated subsidiaries, joint ventures and associated companies.

The following tables show the volume of business with related parties that are included in the Consolidated Financial Statements at amortized cost or accounted for using the equity method. The values include sales, receivables, other receivables, liabilities and other liabilities with respect to the disposal groups and/or discontinued operations.

Sales and trade accounts receivable from and trade accounts payable to related parties mainly included business with own products and merchandise, agency and licensing businesses, and other operating businesses.

Other receivables and liabilities primarily arose from financing activities, from accounts used for cash pooling, outstanding dividend payments, profit and loss transfer agreements, and other finance-related and operating activities and transactions.

The increase in other receivables from nonconsolidated subsidiaries as well as from joint ventures and associated companies resulted primarily from other finance-related receivables.

The decline in other liabilities to associated companies resulted from other finance-related liabilities and contract liabilities.

Balances outstanding to related parties were generally not hedged and were settled in cash.

The balance of valuation allowances on other receivables from nonconsolidated subsidiaries declined from €100 million as of December 31, 2021, to €99 million as of December 31, 2022.



The balance of valuation allowances on trade accounts receivable from nonconsolidated subsidiaries remained equal to the previous year at €3 million as of December 31, 2022; for receivables from joint ventures, it rose from €2 million as of December 31, 2021, to €3 million as of December 31, 2022.


BASF had obligations from guarantees and other financial obligations in favor of nonconsolidated subsidiaries in the amount of €8 million as of December 31, 2022 (December 31, 2021: €21 million), in favor of joint ventures in the amount of €39 million as of December 31, 2022, and in favor of associated companies in the amount of €1 million as of December 31, 2022 (December 31, 2021: €389 million).

Obligations arising from purchase contracts with joint ventures amounted to €5 million as of December 31, 2022, and €4 million as of December 31, 2021.

Annual minimum rental payments for an office building including a parking area payable by BASF SE to BASF Pensionskasse VVaG for the nonterminable basic rental period until 2029 amounted to €7 million.

BASF SE had other finance-related receivables from BASF Pensionskasse VVaG in the amount of €80 million as of December 31, 2022, and €83 million as of December 31, 2021.

There were no reportable related party transactions with members of the Board of Executive Directors or the Supervisory Board and their related parties in 2022.

 For more information on subsidiaries, joint ventures and associated companies, see the 2022 BASF Group list of shares held on page 219

For more information on defined benefit plans, the division of risk between Group companies, see Provisions for pensions and similar obligations from page 261 onward

For more information on the members of the Board of Executive Directors and the Supervisory Board, see Management and Supervisory Boards from page 182 onward

 The Compensation Report is available at [basf.com/compensationreport](https://basf.com/compensationreport)

#### Sales to related parties

Million €

	Services rendered		Services received	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Nonconsolidated subsidiaries	1,276	872	370	340
Joint ventures	1,381	1,386	1,643	1,703
Associated companies	222	459	2,778	1,294

#### Trade accounts receivable from / trade accounts payable to related parties

Million €

	Accounts receivable, trade		Accounts payable, trade	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Nonconsolidated subsidiaries	400	266	159	136
Joint ventures	305	210	178	189
Associated companies	47	34	229	221

#### Other receivables from / liabilities to related parties

Million €

	Other receivables		Other liabilities	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Nonconsolidated subsidiaries	242	237	189	214
Joint ventures	27	19	27	35
Associated companies	7	4	21	106

### 32 Services provided by the external auditor

BASF Group companies used the following services from KPMG:

#### Services provided by the external auditor

Million €

	2022	2021
Annual audit	22.9	19.2
of which domestic	8.1	6.8
Audit-related services	0.7	0.7
of which domestic	0.5	0.5
Tax consultation services	0.2	0.2
of which domestic	–	0
Other services	0	–
of which domestic	0	–
<b>Total</b>	<b>23.8</b>	<b>20.1</b>

The services provided by the external auditor mainly included services for the annual audit and, to a lesser extent, confirmation services and tax consultation services.

The line item annual audit relates to expenses for the audit of the Consolidated Financial Statements of the BASF Group, the legally required financial statements of BASF SE and of the subsidiaries and joint operations included in the Consolidated Financial Statements as well as the review of subgroups. Fees for audit-related services primarily include audits in connection with regulatory obligations as well as other confirmation services.

### 33 Declaration of Conformity with the German Corporate Governance Code

#### Declaration pursuant to section 161 of the German Stock Corporation Act (AktG)

The annual Declaration of Conformity with the German Corporate Governance Code according to section 161 AktG was submitted by the Board of Executive Directors and the Supervisory Board of BASF SE in December 2022 and is published online.

[For more information, see \[basf.com/en/corporategovernance\]\(https://www.basf.com/en/corporategovernance\)](https://www.basf.com/en/corporategovernance)

### 34 Non-adjusting events after the balance sheet date

Since the beginning of the 2023 business year, no events have occurred that have a material impact on BASF's net assets, financial position and results of operations.



# Overviews

- Contents
- To Our Shareholders
- Management's Report
- Corporate Governance
- Consolidated Financial Statements
- Overviews**

---

**Ten-Year Summary** \_\_\_\_\_ **292**

**Selected Key Figures Excluding Precious Metals** \_\_\_\_\_ **294**

**Glossary and Trademarks** \_\_\_\_\_ **295**

# Ten-Year Summary

Million €

	2013 <sup>a</sup>	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Statement of income</b>										
Sales	73,973	74,326	70,449	57,550	61,223 <sup>b</sup>	60,220 <sup>c</sup>	59,316	59,149	78,598	87,327
Income from operations (EBIT)	7,160	7,626	6,248	6,275	7,587 <sup>b</sup>	5,974 <sup>c</sup>	4,201	-191	7,677	6,548
Income before income taxes	6,600	7,203	5,548	5,395	6,882 <sup>b</sup>	5,233 <sup>c</sup>	3,302	-1,562	7,448	1,190
Income after taxes from continuing operations	-	-	-	-	5,592 <sup>b</sup>	4,116 <sup>c</sup>	2,546	-1,471	6,018	-391
Income after taxes from discontinued operations	-	-	-	-	760 <sup>b</sup>	863 <sup>c</sup>	5,945	396	-36	-
Income after taxes	5,113	5,492	4,301	4,255	6,352	4,979	8,491	-1,075	5,982	-391
Net income	4,792	5,155	3,987	4,056	6,078	4,707	8,421	-1,060	5,523	-627
Income from operations before depreciation and amortization (EBITDA)	10,432	11,043	10,649	10,526	10,765 <sup>b</sup>	8,970 <sup>c</sup>	8,185	6,494	11,355	10,748
EBIT before special items	7,077	7,357	6,739	6,309	7,645 <sup>b</sup>	6,281 <sup>c</sup>	4,643	3,560	7,768	6,878
<b>Capital expenditures, depreciation and amortization</b>										
Additions to property, plant and equipment and intangible assets	7,726	7,285	6,013	7,258	4,364	10,735	4,097	4,869	4,881	4,967
of which property, plant and equipment	6,428	6,369	5,742	4,377	4,028	5,040	3,842	4,075	4,410	4,842
Depreciation and amortization of property, plant and equipment and intangible assets	3,272	3,417	4,401	4,251	4,202	3,750	4,146	6,685	3,678	4,200
of which property, plant and equipment	2,631	2,770	3,600	3,691	3,586	3,155	3,408	5,189	3,064	3,549
<b>Employees at year-end</b>										
	<b>112,206</b>	<b>113,292</b>	<b>112,435</b>	<b>113,830</b>	<b>115,490</b>	<b>122,404</b>	<b>117,628</b>	<b>110,302</b>	<b>111,047</b>	<b>111,481</b>
<b>Personnel expenses</b>										
	<b>9,285</b>	<b>9,224</b>	<b>9,982</b>	<b>10,165</b>	<b>10,610</b>	<b>10,659</b>	<b>10,924</b>	<b>10,576</b>	<b>11,097</b>	<b>11,400</b>
<b>Research and development expenses</b>										
	<b>1,849</b>	<b>1,884</b>	<b>1,953</b>	<b>1,863</b>	<b>1,843<sup>b</sup></b>	<b>1,994<sup>c</sup></b>	<b>2,158</b>	<b>2,086</b>	<b>2,216</b>	<b>2,298</b>

<sup>a</sup> Figures for 2013 have been adjusted to reflect the dissolution of the natural gas trading business disposal group.

<sup>b</sup> Figures for 2017 were restated with the presentation of the oil and gas activities as discontinued operations.

<sup>c</sup> Figures for 2018 were restated with the presentation of the construction chemicals activities as discontinued operations.

Million €

		2013 <sup>a</sup>	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Balance sheet (IFRS)</b>											
Total assets		64,204	71,359	70,836	76,496	78,768	86,556	86,950	80,292	87,383	84,472
Noncurrent assets		38,253	43,939	46,270	50,550	47,623	43,335	55,960	50,424	52,332	47,050
of which intangible assets		12,324	12,967	12,537	15,162	13,594	16,554	14,525	13,145	13,499	13,273
of which property, plant and equipment		19,229	23,496	25,260	26,413	25,258	20,780	21,792	19,647	21,553	22,967
Current assets		25,951	27,420	24,566	25,946	31,145	43,221	30,990	29,868	35,051	37,422
of which inventories		10,160	11,266	9,693	10,005	10,303	12,166	11,223	10,010	13,868	16,028
of which accounts receivable, trade		10,233	10,385	9,516	10,952	10,801	10,665	9,093	9,466	11,942	12,055
of which cash and cash equivalents		1,827	1,718	2,241	1,375	6,495	2,300	2,427	4,330	2,624	2,516
Equity		27,673	28,195	31,545	32,568	34,756	36,109	42,350	34,398	42,081	40,923
Total liabilities		36,531	43,164	39,291	43,928	44,012	50,447	44,600	45,894	45,301	43,550
of which financial indebtedness		14,407	15,384	15,197	16,312	18,032	20,841	18,377	19,214	17,184	19,016
<b>Key data</b>											
Earnings per share	€	5.22	5.61	4.34	4.42	6.62 <sup>b</sup>	5.12	9.17	-1.15	6.01	-0.70
Adjusted earnings per share	€	5.31	5.44	5.00	4.83	6.44 <sup>b</sup>	5.87	4.00	3.21	6.76	6.96
Cash flows from operating activities		8,100	6,958	9,446	7,717	8,785	7,939	7,474	5,413	7,245	7,709
EBITDA margin	%	14.1	14.9	15.1	18.3	17.6 <sup>b</sup>	14.9 <sup>c</sup>	13.8	11.0	14.4	12.3
Return on assets	%	11.5	11.7	8.7	8.2	9.5 <sup>b</sup>	7.1	4.5	-1.2	9.5	2.1
Return on equity after tax	%	19.2	19.7	14.4	13.3	18.9	14.1	21.6	-2.8	15.6	-0.9
Return on capital employed (ROCE)	%	-	-	-	-	15.4	12.0 <sup>c</sup>	7.7	1.7	13.7	10.0
<b>Appropriation of profits</b>											
Net income of BASF SE <sup>d</sup>		2,826	5,853	2,158	2,808	3,130	2,982	3,899	3,946	3,928	3,849
Dividend		2,480	2,572	2,664	2,755	2,847	2,939	3,031	3,031	3,072	3,039 <sup>e</sup>
Dividend per share	€	2.70	2.80	2.90	3.00	3.10	3.20	3.30	3.30	3.40	3.40 <sup>e</sup>
<b>Number of shares at year-end</b>	<b>million</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>918.5</b>	<b>893.9</b>

<sup>a</sup> Figures for 2013 have been adjusted to reflect the dissolution of the natural gas trading business disposal group.

<sup>b</sup> Figures for 2017 were restated with the presentation of the oil and gas activities as discontinued operations.

<sup>c</sup> Figures for 2018 were restated with the presentation of the construction chemicals activities as discontinued operations.

<sup>d</sup> Calculated in accordance with German GAAP

<sup>e</sup> Based on the dividend proposed by the Board of Executive Directors and the number of outstanding shares as of December 31, 2022 (893,854,929)

# Selected Key Figures Excluding Precious Metals

The IFRS figures correspond to the amounts presented in the Consolidated Financial Statements. The adjusted figures exclude sales in precious metal trading and precious metal sales in the automotive catalysts business.

## BASF Group

Million €

	2022		2021	
	IFRS figure	Adjusted figure	IFRS figure	Adjusted figure
Sales	87,327	74,990	78,598	62,872
Volume growth	-7.0%	-3.6%	10.6%	10.5%
EBITDA before special items	10,762	10,762	11,348	11,348
EBITDA margin before special items	12.3%	14.4%	14.4%	18.0%

## Surface Technologies

Million €

	2022		2021	
	IFRS figure	Adjusted figure	IFRS figure	Adjusted figure
Sales	21,283	8,947	22,659	6,933
Volume growth	-13.0%	3.9%	12.2%	14.0%
EBITDA before special items	1,464	1,464	1,277	1,277
EBITDA margin before special items	6.9%	16.4%	5.6%	18.4%

# Glossary and Trademarks

## C

### CO<sub>2</sub> equivalents

CO<sub>2</sub> equivalents (CO<sub>2</sub>e) are units for measuring the impact of greenhouse gas emissions on the greenhouse effect. A factor known as the global warming potential (GWP) shows the impact of the individual gases compared with CO<sub>2</sub> as the reference value.

## E

### Eco-Efficiency Analysis

The Eco-Efficiency Analysis is a method developed by BASF for assessing the economic and environmental aspects of products and processes. The aim is to compare products with regard to profitability and environmental compatibility.

## F

### Formulation

Formulation describes the combination of one or more active substances with excipients like emulsifiers, stabilizers and other inactive components in order to improve the applicability and effectiveness of various products, such as cosmetics, pharmaceuticals, agricultural chemicals, paints and coatings.

## G

### Genome editing

Genome editing refers to a series of new molecular biological methods to make specific changes in the genome. Naturally occurring processes are used to make small changes to an organism's genes to modify a specific characteristic. Such techniques have great potential for innovative solutions in health-care, agriculture and industrial applications, for example.

## P

### Peak sales potential

The peak sales potential of the Agricultural Solutions pipeline describes the total peak sales forecast for individual products in the research and development pipeline. Peak sales are the highest sales value to be expected from one year. The pipeline comprises innovative products that have been on the market since 2022 or will be launched on the market by 2032.

## S

### SEEBalance®

SEEBalance® is the Socio-Eco-Efficiency analysis developed by BASF. It can be used to evaluate and compare the environmental impact, costs and social aspects of products and manufacturing processes. SEEBalance® makes sustainable development measurable and manageable for companies by combining the three dimensions of sustainability – economy, environment and society – in an integrated product assessment tool.

### Steam cracker

A steam cracker is a plant in which steam is used to “crack” naphtha (petroleum) or natural gas. The resulting petrochemicals are the raw materials used to produce most of BASF's products.

## T

### Traits

Traits are commercial plant characteristics, such as an inherent resistance to certain herbicides or an inherent defense against certain insects.

## V

### Value Chain

A value chain describes the successive steps in a production process: from raw materials through various intermediate steps, such as transportation and production, to the finished product.

### Verbund

In the BASF Verbund, plants are intelligently connected. In this system, chemical processes consume less energy, produce higher product yields and conserve resources. The by-products of one plant serve as feedstock elsewhere, creating efficient value chains – from basic chemicals to high value-added solutions; such as coatings or crop protection products. Our Verbund concept – realized in production, technologies, the market and digitalization – enables innovative solutions for a sustainable future.

## Trademarks<sup>a</sup>

### Ebusbar®

Registered trademark of Shenzhen Qianhai Ebusbar Network Service Co, Ltd.

### Responsible Care®

Registered trademark of the European Chemical Industry Council.

All other trademarks referred to in the BASF Report are registered trademarks of the BASF Group (identified with the ® symbol), trademarks pending (identified with the TM symbol), or trademarks used by the BASF Group.

<sup>a</sup> Trademarks are not registered/used in all countries.

Quarterly Statement Q1 2023 / Annual Shareholders' Meeting 2023

# April 27, 2023

Half-Year Financial Report 2023

# July 28, 2023

Quarterly Statement Q3 2023

# October 31, 2023

BASF Report 2023

# February 23, 2024

Quarterly Statement Q1 2024 / Annual Shareholders' Meeting 2024

# April 25, 2024

## Further information

**Published on February 24, 2023**

You can find this and other BASF publications online at [basf.com/publications](https://basf.com/publications)

## Contact

### General inquiries

Phone: +49 621 60-0, email: [global.info@basf.com](mailto:global.info@basf.com)

### Media Relations

Jens Fey, phone: +49 621 60-99123

### Sustainability Relations

Thorsten Pinkepank, phone: +49 621 60-41976

### Investor Relations

Dr. Stefanie Wettberg, phone: +49 621 60-48002

### Internet

[basf.com](https://basf.com)



BASF supports the chemical industry's global Responsible Care initiative.

