We create chemistry

BASF Investor Update
Speech
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The spoken word applies.

Martin Brudermüller

Ladies and gentlemen,

Thank you for joining our Investor Update. I am very pleased that so many of you have found the time to attend in person. A warm welcome also to the participants who have dialed in.

The focus of today's event is to provide an update on the progress we have made in implementing our corporate strategy from 2018. We also have some news to share that will already be reflected in our reporting for 2023.

[Slide 2: At BASF, we are determined to master current and future challenges]

In the recent years, the three tasks shown here have made up a large part of the work of the Board of Executive Directors. And this is why they provide the basis for the structure of our keynote presentation today.

I will begin with a review chapter. Then Dirk will speak about our new approach to steering our businesses and BASF Group. Finally, I will conclude with an update on our path to net zero.

[Slide 3: Agenda]

Let's get started right away with a look at how BASF is delivering on its priorities for the use of cash.

[Slide 4: We delivered on our priorities for the use of cash between 2018 and 2022]

At our Investor Day in November 2018, we gave clear guidance on our future capital allocation in the context of our new corporate strategy. Since then, we have used cash in line with the priorities we set.

Between 2018 and 2022, we spent around 50 billion euros. As our corporate strategy is based on organic growth, we allocated around 60 percent to capital expenditures and research and development.

Shareholder returns and an attractive dividend are of high importance for BASF's Board. We have therefore increased the dividend in three of the past five years. In 2020 and in 2022, we kept it stable at the respective prior-year level due to the challenging framework conditions. The total dividend payout since 2018 amounts to 15.8 billion euros, and the average dividend yield is 5.6 percent per year.

Through our continuous portfolio management, we have focused our portfolio toward innovative growth businesses. In the past five years, we have divested businesses with sales of 5 billion euros and acquired businesses with sales of 4 billion euros. In total, net payments related to acquisitions and divestitures amounted to 1.4 billion euros.

Share buybacks are also part of our capital allocation framework. Between January 2022 and February 2023, we repurchased shares for around 1.4 billion euros. This corresponds to 2.8 percent of the share capital when the program was announced. Currently, we are not buying back shares in view of the global economic and geopolitical environment.

[Slide 5: Capex now focused on Zhanjiang Verbund site and battery materials]

Let's take a closer look at our capital expenditures over the last five years and in the first ten months of 2023.

We actively reduced the share of investments in BASF's ongoing businesses, while deliberately increasing the share of spending on our major growth projects over time.

Major investments that we have completed include the acetylene plant and the vitamin A expansion in Ludwigshafen and the ethylene oxide expansion in Antwerp. Acetylene and ethylene oxide are versatile building blocks for products for a multitude of customer industries. Vitamin A is used by the human and animal nutrition sector as well as in personal care products.

Construction of the HMD plant in Chalampé and the final phase of the MDI plant expansion in Geismar are still ongoing. HMD is a precursor to produce polyamide 6.6 plastics and coatings, for example for use in the automotive industry. With the MDI plant, BASF will serve growing demand from North American customers in the construction and appliance, transportation, automotive, footwear and furniture sectors.

Over the last years, we have begun to focus capex more and more on the construction of the Verbund site in Zhanjiang and on our battery materials business. These are the two pillars of BASF's future organic growth.

[Slide 6: Capex reduction by ~€4.0 billion from 2023 to 2027]

As announced on our Q3 2023 analyst conference call in October, we will reduce capex by 4 billion euros from 2023 to 2027. Thereof, a reduction of 1 billion euros will already be achieved in 2023.

We are responding flexibly to the changes in the market environment. We are currently faced with a significant imbalance in supply and demand in several value chains; energy price increases, especially in Europe; and an overall subdued market demand. We will therefore maintain our focus on capital discipline across the entire portfolio of BASF Group.

[Slide 7: Major levers for capex reduction]

Which levers are we using to achieve the targeted capex reduction?

In our ongoing businesses, we will postpone non-critical projects in line with market demand. Instead of investing in the construction of new plants and capacity expansions, we will focus on highly capex-efficient measures such as debottlenecking to increase capacities and to improve the overall utilization. We will also review planned replacement investments and, where appropriate, postpone them.

We are also tightening our belts somewhat with regard to our growth projects. At our Verbund site project in China, we will further leverage the favorable procurement environment and will also tailor additional planned investments beyond the current scope in line with market development. In our battery materials business, we will use flexibility in scheduling and in the sequence of the investments and will also evaluate partnerships to bring capex down.

In BASF's net-zero transformation we will maintain the overall investment scope with a clear focus on CO_2 reduction, renewables and recycling. We will, however, fund certain investments, such as wind farms, via project financing, which will require less capex. In addition, we will strike the right balance between power purchase agreements and own investments in the production of green electricity.

[Slide 8: Dividend payments supported by strong cash flow generation]

This slide demonstrates that BASF has been a strong cash generator over the last decade with average annual cash flows from operating activities of 7.7 billion euros. In the same period, free cash flow amounted to 3.4 billion euros on average and supported our attractive dividend policy.

In the first ten months of 2023, cash flows from operating activities amounted to 5.1 billion euros and free cash flow reached

1.3 billion euros. The strong sequential improvement since Q2 2023, reflects our further increased discipline in inventory management.

Our strong balance sheet, high equity ratio and good credit ratings give us the necessary financial strength to deliver on our practice of keeping the dividend at least at the previous year's level.

[Slide 9: Portfolio developed in line with 2018 strategy]

At BASF, active portfolio management is an ongoing task.

Since 2018, we acquired emerging and innovation-driven businesses which enhanced our portfolio. This made us more resilient and enabled a fast entry into new markets like battery materials or seeds. The acquisition in polyamides improved our existing market position.

Over the same period, we divested businesses such as construction chemicals, pigments as well as water and paper chemicals. These businesses offered only a limited differentiation potential at the time of divestment. We also divested a couple of smaller businesses and sites. In this way, we have reduced complexity and sharpened management focus.

For the last slide in this chapter, I will hand over to Dirk, who will then also present the second chapter.

Dirk Elvermann

[Slide 10: Wintershall Dea is the major divestiture that remains to be completed]

Good afternoon, ladies and gentlemen,

As you know, we continue to pursue our strategic goal of selling BASF's 72.7 percent share in Wintershall Dea and are working on monetization options.

The legal separation of Wintershall Dea's Russia-related business announced in January 2023 is planned to be completed by mid-2024. In this context, the international E&P business, German production as well as activities related to carbon management and hydrogen, are to be legally separated from all joint ventures involving Russian interests. This includes stakes in joint ventures in Russia, the ownership interest in Wintershall AG in Libya, Wintershall Noordzee BV in the Netherlands as well as the shares in Nord Stream AG. Significant federal investment guarantees are in place for the Russian assets.

Wintershall Dea has adjusted its corporate strategy to reflect the changes in the energy sector and particularly its exit from Russia. The company is reorganizing its company structure with the target of reducing administration costs by around 200 million euros per year. In the future, the Management Board will comprise three instead of five members. As part of the restructuring, the company plans to reduce around 500 positions.

As soon as there is additional information to share on the progress in monetizing our share in Wintershall Dea, we will do so.

[Slide 11: Agenda]

I will now move on to speak about how we are developing the steering of our businesses to generate higher profitability.

[Slide 12: We are delivering on the strategic transformation of our organization and businesses]

The transformation of BASF into an agile and customer-focused organization and the empowerment of our businesses to better serve the needs of their customers were a key part of the strategy presented in 2018. Following the principles of empowerment, differentiation and simplification, BASF has taken measures to increase the steering abilities of the individual businesses.

To sharpen our focus on customers, we started by embedding all business-critical services in the operating divisions. This empowered the business units by allowing them to define their own requirements rather than having to follow a one-size-fits-all approach.

In a next step, we brought customer-focused R&D into the operating divisions to increase the proximity between our businesses and their customers. This was then followed by the streamlining of business services, digital services and R&D at the company level.

Now we will go one step further. We will increase BASF's competitiveness by adapting how we steer our individual businesses.

[Slide 13: The global chemical market environment has changed since 2018]

We are doing this in a changing global chemical market environment. Our competitors and our customers are also continuing to change considerably. And these changes are structural rather than temporary.

For Battery Materials, Coatings and Agricultural Solutions, we see a clear trend toward pure-play competitors that cater to the specific needs of the respective industries and customers they serve.

For the Verbund businesses, there is growing competition from China and the Middle East. Many of these competitors are growing fast and have an efficient and focused product offering. They are expanding their product portfolios along the value chain step by step and in some cases have started to export large volumes of chemicals to the European market.

A third important aspect in our competitive environment is the shift in consumer demand. Our customer markets are moving toward Asia and especially to China. By 2030, around three-quarters of the growth of the chemical market is expected to come from China alone.

In implementing our corporate strategy, we have already taken many steps to adjust BASF's organization to reflect these changes in the market environment. Now we will introduce what we call differentiated steering to address the industry-specific needs of our customers.

[Slide 14: Verbund businesses will benefit from focused value chain steering]

So, how will we do this? Our Verbund businesses comprise the Chemicals, Materials, Industrial Solutions and Nutrition & Care segments. We will continue to manage these businesses along value chains and generate value through the efficient use of resources, bundling of demand and synchronized, deeply integrated production.

BASF's long value chains provide us with a cost and reliability advantage. At our Verbund sites worldwide, we produce the basic building blocks in world-scale upstream operations that feed into our downstream specialties. The better we steer these value chains, the better we can serve our customers and strengthen BASF's profitability. Having full transparency across the entire chains is a unique advantage of BASF.

Looking forward, value chain management will become even more crucial because we will attach sustainability attributes such as the product carbon footprint or biomass or recycled content to our products. We want flexibility, and we want to have the best offerings of green attributes for those customers who are willing to pay for them. This will be a real differentiator for BASF and will capture value from the Verbund.

In the Verbund businesses, we target an EBITDA before special items margin of 17 percent over the cycle. Although the Chemicals and Materials segments may contribute significant EBITDA before special items, the respective margins can be highly volatile because sales

fluctuate considerably due to market price developments. We will therefore also define absolute EBITDA before special items targets for these two segments each year. By setting an overall EBITDA before special items margin target for all Verbund businesses, we support maximum earnings generation along the value chains.

[Slide 15: Steering of businesses less integrated into Verbund value chains tailored to industry-specific needs]

Let’s move on to the businesses that are less deeply integrated into the Verbund. We will give them more space to meet industry-specific needs, while retaining the benefits of an integrated company. This will be supported by adapted process structures, IT systems and governance frameworks. This approach will apply to Battery Materials and Coatings within the Surface Technologies segment as well as to Agricultural Solutions.

The Battery Materials business requires a high level of agility to respond to dynamic market developments and to form alliances and partnerships. By 2030, we continue to aim for an EBITDA before special items margin of at least 30 percent excluding metals.

Coatings requires a high level of flexibility as well as formulation and surface knowledge skills to serve customers from the automotive, aviation and further industries. Due to the high number of customers and articles, managing complexity is crucial in this business. It is our goal to reach an EBITDA before special items margin of 15 percent or higher in the midterm.

Agricultural Solutions has moved from producing crop protection products to providing farmers with agricultural solutions that connect crop protection, seeds and digital solutions. Furthermore, it generates new business models by integrating data and mechanical hardware.

The additional step now is required to underpin our ambition to return to an EBITDA before special items margin of 23 percent or higher in the midterm.

As I will explain in a moment, we also place a strong focus on cash generation across all our businesses.

[Slide 16: Leveraging the benefits of Verbund, differentiation and an integrated company setup]

In a nutshell, we want to use differentiated steering to become even more focused and competitive. We are combining the benefits of a more differentiated approach to steering individual businesses with the advantages provided by the Verbund and our setup as an integrated company.

Our Verbund is characterized by interconnected value chains. We optimize the use of by-products from one production process as inputs for other production plants. The Verbund also offers major economies of scale, for example in terms of our power supply, where we can secure favorable cost positions by generating our own power and steam. Lastly, the Verbund is a gamechanger on our journey toward net zero. With our unique setup, we can manage this transition far more efficiently than other companies.

Differentiated steering will provide more transparency for steering and decision-making and will help us allocate inventories at the right points in our value chains. Overall, this will increase supply chain resilience and reduce inventories to free up cash. By better tailoring processes to the underlying business models, we will reduce complexity and increase our agility and speed.

As a result, all our businesses will benefit from more differentiation. In Battery Materials, Coatings and Agricultural Solutions, this will be due to their ability to further increase industry focus. The Verbund

businesses, on the other hand, will benefit from being able to focus even more strongly on the advantages of the Verbund.

BASF will remain an integrated company with a strong balance sheet, an A credit rating and thus favorable financing conditions. Its broad portfolio and innovative strength are appreciated by customers. They turn to BASF when chemistry is the key to finding solutions.

[Slide 17: We will also steer BASF differently at the Group level]

In the following, I will show you the changes to our steering KPIs at BASF Group level that we will be implementing as of January 2024.

Until now, we have provided forecasts for sales, EBIT before special items and ROCE. We have also given guidance on capital expenditures at the corporate level. In 2018, we defined financial targets for organic volume growth and EBITDA before special items and have reported on the respective target achievements every year since then.

In the short term, we will now put an even stronger emphasis on managing EBITDA before special items and cash generation at the corporate level. For the mid-term steering of BASF Group, we will also use EBITDA before special items and, in addition, the cumulative free cash flow. With an absolute EBITDA before special items target, we underline our commitment to profitable growth. A cumulative free cash flow target focuses on strong cash generation over the cycle. Furthermore, we will continue to have ROCE as a mid-term steering KPI to emphasize the importance of steering toward asset profitability over time and taking appropriate decisions on capital allocation.

[Slide 18: Most important financial KPIs for steering and external reporting purposes going forward]

The following slide shows that EBITDA before special items and free cash flow will become the most important financial KPIs for BASF Group instead of ROCE. We will maintain our focus on capex discipline and will steer it via the free cash flow.

As part of differentiated steering, we will introduce new steering KPIs for our operating divisions and will report on segment level. Key criteria when selecting the KPIs were the strategic direction of the business, the role of the business in BASF's portfolio and the contribution of the business toward our corporate targets. We will focus on industry-specific value drivers and have decided to set a maximum of three financial KPIs per business. A further aspect is that we will also benchmark our performance even more closely with that of our competitors.

Going forward, the earnings KPI for the Chemicals and the Materials segments will be absolute EBITDA before special items. For the Industrial Solutions and the Nutrition & Care segments, sales growth and the EBITDA before special items margin are the new KPIs.

For the Surface Technologies and the Agricultural Solutions segments, EBITDA before special items in absolute and relative terms will be the relevant KPIs to measure earnings performance.

As an additional KPI, all segments will have a cash flow target to measure their contribution to BASF's free cash flow.

To foster stronger performance, we already introduced a new Short-Term Incentive System (STI) for senior executives in Battery Materials, Coatings and Agricultural Solutions in 2023. For senior executives in the Verbund businesses and in support units, the new STI will be introduced in 2024.

In this way, we want to better adjust targets and rewards to the specific nature and performance of the individual businesses.

The STI for our operating divisions will comprise three additive elements: 25 percent will be related to BASF Group performance measured as ROCE. 50 percent will be linked to distinct business-related financial KPIs of the respective operating division, for example, EBITDA before special items in absolute or relative terms and the cash flow of the respective division. And 25 percent will depend on the achievement of non-financial targets. Such non-financial targets are, for example, related to the transformation, sustainability and safety and corresponding KPIs.

[Slide 19: Forecast in BASF Report 2023 will reflect the new most important financial KPIs]

This illustration shows what our forecast for 2024 will look like when we publish the BASF Report 2023 at the end of February next year.

Instead of giving an outlook for sales, EBIT before special items and ROCE, we will forecast EBITDA before special items and free cash flow at Group level. We will thus combine cash flows from operating activities and capex in a single forecast figure. Furthermore, we will provide a forecast for EBITDA before special items and cash flow for the segments. It should be noted that the segment cash flows will not add up to the Group cash flow because P&L items below EBITDA as well as certain balance sheet items are not allocated to the segments. At the Group level, we will further improve transparency on our cash drivers by providing more granularity in our cash flow statement in the BASF reporting.

The forecast at BASF Group level will remain an interval forecast, while we will continue to use a qualified comparative forecast for the segments. That means that we will provide you with forecast ranges

for EBITDA before special items and free cash flow for BASF Group. For the segments, we will continue to indicate whether a slight or considerable increase or decline is to be expected.

With the new approach, our external reporting and forecasting will be aligned with the internal steering toward EBITDA before special items and cash performance.

With that, I would like to hand back to Martin.

Martin Brudermüller

[Slide 20: Agenda]

Now, I would like to finish the presentation by talking about topics that are particularly close to my heart: sustainability and the transformation of BASF toward net zero.

[Slide 21: TripleS method increases measurability and transparency on sustainability – developed by BASF, adopted by the industry]

The enhanced TripleS methodology will be another valuable tool to help increase our customer focus. It makes sustainability measurable and helps us steer our portfolio toward solutions that contribute to climate protection, resource efficiency and the circular economy.

We took the opportunity to refine the TripleS method after achieving our 2025 target for increasing sales of Accelerator products ahead of schedule in 2021. Under the new approach, we analyze the positive and negative impacts of our 45,000 products over the full life cycle and assign them to one of five categories: Pioneer, Contributor, Standard, Monitored and Challenged.

Pioneer products contribute significantly to sustainability and exceed the market standard. By introducing Contributor as a new category,

we are able to better show the contribution of products that meet the market standard while still making a positive contribution to sustainability.

The TripleS logic was adopted by the World Business Council for Sustainable Development (WBCSD) when developing its Portfolio Sustainability Assessment (PSA) methodology. As a result, TripleS is aligned with the industry standard for product portfolio assessments.

[Slide 22: We aim to increase the sales share of Sustainable-Future Solutions from 42% to more than 50% by 2030]

We are still finalizing the segmentation of the global product portfolio using TripleS. Following the validation by our auditor, the results will be shown in the BASF Report 2023. But today I would like to give you a sneak preview.

Based on forecasted figures for 2023, we expect that around 57 billion euros in sales will be in scope for TripleS. Sales of platinum group metals within ECMS and sales from strategically non-relevant businesses such as IT services and licenses are not included.

Compared with the previous segmentation in 2021, the share of Challenged solutions has increased. This is because we have included new hazard classes even though the REACH revision has not yet been adopted. In this regard, we are ahead of the curve and our industry peers. We stand by our commitment of phasing out such products within five years of classification in this category.

In the top two categories – Pioneer and Contributor – we expect that sales of products will amount to around 24 billion euros in 2023. This corresponds to 42 percent of sales that are in scope of TripleS. We have now defined a new KPI of “Sustainable-Future Solutions” (SFS) as the sum of Pioneer and Contributor sales. We aim to increase SFS sales from 42 percent in 2023 to more than 50 percent by 2030.

This target setting is driven not only by sustainability considerations but also by the fact that the margin of products in these two categories is up to 10 percentage points higher than for the rest of the portfolio in scope. In the past, sales of these products also grew faster than the rest of the portfolio.

[Slide 23: We want to create additional value for our customers with low-carbon and zero-PCF products]

Here is a practical example where a Pioneer product can provide a competitive advantage among environmentally conscious consumers.

Infinergy® is an expanded thermoplastic polyurethane, from which we have developed a very successful midsole for running shoes together with Adidas. By switching to a feedstock based on recycled materials, we can almost halve the PCF, and the new variant is classed as a Pioneer in TripleS.

If, in future, we can succeed in closing the loop using suitable recycling methods, our customers will even be able to offer products with a net-zero carbon footprint.

[Slide 24: Since 2018, BASF has strengthened its climate ambition for Scope 1 and Scope 2 emissions]

The original goal in our 2018 strategy was to ensure climate-neutral growth. This was already ambitious in view of the emission reductions we had implemented until then and the expected emissions from growth, for example from our new Verbund site in South China.

The more we worked on this topic, the more possibilities we began to see. In March 2021, we therefore increased our ambition and set reduction targets for Scope 1 and 2 emissions: A 25 percent reduction by 2030 compared with 2018 and net zero by 2050.

We also defined five levers for reducing Scope 1 and 2 emissions as part of our carbon management. These can be summarized under the umbrella terms “renewable energies” and “carbon abatement.” In addition, we are making ongoing improvements to our processes that can fall into either category. This is what we call “operational excellence.”

[Slide 25: We have achieved further progress in reducing our own CO_2 emissions]

Here you can see the progress we have made in reducing Scope 1 and 2 emissions since 2021.

The dotted line in orange at the top indicates the likely emissions path without mitigation measures based on 2018 projections. The area within the two broken green lines shows the expected corridor for our annual CO_2 emissions, while the solid green line shows the trajectory of our actual emissions.

Currently, the actual trajectory is below the forecast. This is mainly due to the weak demand environment following the corona pandemic in 2022. Our CO_2 emissions in 2023 will also be below the forecast corridor. This is, among other things, due to ongoing weak demand and the fact that we have shut down some energy-intensive plants in Ludwigshafen as announced earlier this year. A rise in Scope 1 and 2 emissions – the solid green line – is therefore likely when demand recovers and when we start up further plants at our new Verbund site in Zhanjiang.

Measures related to renewable energies will form the focus of our reduction efforts in the next few years. From 2025 onward, we should then see an increasing contribution from new technologies for carbon abatement. I will now give you an update on our progress in these two areas.

[Slide 26: On track to reaching at least 60% renewable electricity worldwide by 2030]

BASF has a make-and-buy strategy to meet its significantly rising demand for renewable power. On the one hand, we are investing in our own renewable power assets. On the other hand, we are purchasing green power from third parties via long-term agreements with terms of up to 25 years. All our renewable power projects lead to a corresponding expansion and development of additional capacities in the energy market.

In 2022, renewable electricity accounted for 16 percent of BASF's global power demand. The share of renewable electricity is likely to remain flat this year but is set to increase considerably in the coming years. This slide shows projected figures for the share of renewable electricity by region for 2026. This projection is based on signed contracts and includes own production amounts.

As you can see, we are well on track to reaching a share of at least 60 percent renewable electricity worldwide by 2030. Keep in mind that this figure is not only about substituting the grey power we currently use. It's also about meeting the rising demand from the electrification of our processes.

Recent news shows that executing competitive renewable power projects in the United States can be challenging. While the EU power market is deregulated and allows for investments by industrial players, the North American market is only partially deregulated, and access to renewable power projects is somewhat limited. We are nevertheless investigating various investment opportunities in renewable power assets in this region and exploring the incentives provided, for example, by the Inflation Reduction Act.

On the buy side, we have concluded long-term power purchase agreements in all regions. The most recent example was the 25-year agreement with SPIC for the supply of renewable energy for the new Verbund site we are constructing in Zhanjiang, China.

On the make side, we are constructing solar farms at some BASF sites, but our major focus will remain on wind power, reflecting the huge demand we have. In July 2023, BASF and Mingyang announced the joint construction and operation of a 500-megawatt offshore wind farm in South China that is expected to be fully operational in 2025. The majority of the power generated will be used to supply renewable electricity to BASF's Zhanjiang Verbund site. In Europe, the Hollandse Kust Zuid (HKZ) offshore wind farm that we co-own with Vattenfall and Allianz was inaugurated in September 2023 and will be fully operational in 2024 with a capacity of 1.5 gigawatts.

[Slide 27: Vattenfall and BASF to partner on German offshore wind farm projects Nordlicht 1 and 2]

Just a few days ago, we announced the signing of a memorandum of understanding on a further major wind energy project with Vattenfall. We are in advanced and exclusive discussions to acquire 49 percent shares in two neighboring offshore wind farm projects, Nordlicht 1 and Nordlicht 2. The Nordlicht wind park zone is located 85 kilometers north of the island of Borkum in the German North Sea and has a planned capacity of 1.6 gigawatts.

Pending a final investment decision, which is expected in 2025, construction could start in 2026, and full operation could be expected in 2028.

With a similar contractual framework as for HKZ, our minority shares in the Nordlicht wind farm would secure an additional supply of around 3 terawatt hours per year of renewable electricity for BASF.

This would be used to support chemical production sites in Europe, in particular Ludwigshafen.

[Slide 28: We are making progress on technologies for carbon abatement]

The second lever for reducing our Scope 1 and 2 emissions is through new technologies for carbon abatement. Here too, we are making good progress.

Our steam crackers are currently heated with gas and are responsible for a large chunk of our Scope 1 and 2 emissions. We therefore aim to electrify our crackers and heat them with renewable electricity. The demonstration plant in Ludwigshafen that we are building with SABIC and Linde is nearing completion. We will be able to start testing two different heating concepts for eFurnaces in the first quarter of 2024.

By 2025, we will build a water electrolyzer for green hydrogen at our Ludwigshafen site with our partner Siemens Energy. The Federal Ministry for Economic Affairs and Climate Action is supporting the project in cooperation with the state of Rhineland-Palatinate with up to 124.3 million euros. We received the funding approval at the end of November 2023. With an output of 54 megawatts and an annual capacity of up to 8,000 tons of green hydrogen, this proton exchange membrane (PEM) electrolyzer will be one of the largest of its kind in Germany when completed. Powered by renewable electricity, it will reduce greenhouse gas emissions at the Ludwigshafen site by up to 72,000 tons per year. Our aim is to gain insights into how and under what conditions we can use this technology within our Production Verbund.

Carbon capture and storage (CCS) is another carbon abatement method whose possibilities we are evaluating in various projects worldwide. On the one hand, we are investigating how CCS could be

used in processes to produce low-emission chemicals. In this context, we are cooperating with Yara on a joint study to develop and construct a world-scale low-carbon blue ammonia production facility with carbon capture in the U.S. Gulf Coast region. On the other hand, we are looking into how we can use CCS to reduce emissions at our Antwerp site as part of the Kairos@C initiative together with Air Liquide.

[Slide 29: Scope 3.1 emissions account for ~70% of the product carbon footprints of our sales products]

Having spoken about the progress we are making on our Scope 1 and Scope 2 emissions, I would now like to address the difficulties involved in setting a Scope 3 target.

We focus on the emissions that are associated with the goods and services that we purchase from our suppliers as Scope 3.1 emissions in our corporate carbon footprint. In 2022, these emissions amounted to 51 million metric tons. The emissions associated with the purchased raw materials account on average for about 70 percent of the product carbon footprints of our sales products, which are of great interest to an increasing number of our customers.

[Slide 30: We have a solid foundation for primary Scope 3.1 emission data]

We currently use secondary data, in other words industry averages, to calculate the product carbon footprints (PCFs) of our approximately 45,000 sales products. This is standard practice in the industry.

The majority of our suppliers have neither data on their carbon footprint nor their own CO_2 reduction plans. Even so, we expect transparency from them. And this is why BASF has put a lot of effort into its Supplier CO_2 Management Program since 2021. We want to obtain reliable primary data from our suppliers that we can use to generate more accurate PCF data for our customers.

We are making very good progress. We have approached more than 2,000 suppliers who account for around 70 percent of our relevant Scope 3.1 emissions. More importantly, we have validated the primary data for more than 25 percent of our relevant Scope 3.1 emissions, and we are working to increase this figure day by day. We are convinced that we have the most comprehensive and reliable data set in the chemical industry and believe that very few companies in the sector come close.

In view of our progress, we are confident that we have a sufficiently solid foundation and can now justify setting a credible target for reducing BASF's Scope 3.1 emissions.

[Slide 31: Our new targets: Reduce specific Scope 3.1 emissions by 15% by 2030 and achieve net-zero Scope 3.1 emissions by 2050]

By 2030, we aim to reduce BASF's specific Scope 3.1 emissions by 15 percent compared to 2022 across the portfolio – from 1.57 to 1.34 kilograms of CO_2 per kilogram of raw material bought. We are setting 2022 as the baseline for this new target because the measures we are planning will now start to come into play. And we have defined a specific target because our focus is on improving the product carbon footprint of our sales products, which we calculate in kilograms of CO_2 per kilogram of BASF product sold. We are currently in negotiations with committed customers and are working on many individual projects.

We decided against an absolute target for Scope 3.1 emissions because the varying capacity utilization rates of our production plants would lead to high volatility. This would make it hard to track our progress on an annual basis. BASF will nevertheless continue to report on its absolute Scope 3.1 emissions as part of its corporate carbon footprint.

Our target applies to what we define as our relevant Scope 3.1 emissions. These amounted to 48 million metric tons in 2022. This figure excludes emissions from technical goods and services since they are of minor relevance for our product carbon footprints. Furthermore, emissions related to battery materials in our Scope 3.1 are not included as it will not be possible to steer such emissions significantly until closed-loop business models for battery recycling become established. This is not expected before 2030. It should also be taken into account that the emissions from our battery materials will be outweighed by the reductions achieved due to the shift from combustion engines to electric vehicles.

At this stage, BASF is not planning to submit its targets to the Science Based Targets Initiative (SBTi). SBTi does not yet offer a sector-specific methodology for the chemical industry, and we do not expect the guideline to be published until the third quarter of 2024. However, BASF wants to commit to a tangible, scientific and pragmatic approach now. We follow our approach of doing what we say and delivering on those things we can influence. Due to the enormous complexity and lack of data, this currently does not apply to Scope 3.12 emissions, which occur at the end of life of our products.

In working toward our Scope 3.1 target, we will focus on raw materials for those products for which our customers are prepared to pay for a lower product carbon footprint. We will increasingly source raw materials from suppliers who can provide CO_2 emission data and who offer raw materials with a lower CO_2 footprint, for example because they are already making progress in reaching their own reduction targets.

We are also planning to cooperate with selected suppliers to reduce the carbon footprint of the raw materials that we buy from them.

For example, we could consider providing suppliers with green or low-carbon electricity, the benefits of which would then be allocated to the products supplied to us.

Our ambitions and efforts in the short and long term are clear: BASF will work with both customers and suppliers to find pragmatic solutions that are both cost-efficient and good for the environment. Our long-term ambition is also clear: We are committing to achieving net-zero Scope 3.1 emissions by 2050.

I know that many of you, especially on the ESG side, would like to see a granular roadmap with project timelines and capex projections for our path to net zero. We have a detailed roadmap with well-defined projects to reach our 2030 targets. However, we have to continuously review the technical and economic feasibility of these projects due to the large number of regulations being introduced and the constantly changing framework conditions. We will therefore adjust our project list and shift projects from regions with unfavorable conditions to regions where regulations are more realistic and pragmatic. Please also understand that we do not wish to give too many insights for competitive reasons.

Despite all the question marks and challenges, I would like to make very clear that BASF is and will continue to be a reliable partner on the path to net zero – for investors, for customers and partners in the value chain, and for society.