How We Create Value

The following overview provides examples of how we create value for our stakeholders. It is modeled on the framework of the International Integrated Reporting Council (IIRC). The content of the graphic has been audited within the scope of the relevant sections of the Management’s Report in which they appear.

**Inputs**

**Financial**
- Our aim is to ensure solvency, limit financial risks and optimize the cost of capital.
- €87.4 billion Total assets
- 48.2% Equity ratio

**Innovation**
- We develop innovative solutions for and with our customers to expand our leading position.
- ~10,000 R&D employees
- €2.2 billion R&D expenses

**Operations**
- Safety, quality, and reliability are key to excellence in our production and plant operations.
- €3.4 billion Capex
- ~60 million MWh Electricity and steam demand

**Environment**
- We use natural resources to manufacture products and solutions with high value added for our customers.
- 1.3 million metric tons Renewable raw materials
- 1,695 million m³ Total water usage

**Employees**
- Everything we do is based on the expertise, knowledge, motivation and conduct of our employees.
- 111,047 Employees around the world
- €11.1 billion Personnel expenses

**Partnerships**
- Trust-based relationships are crucial to our license to operate and our reputation.
- ~280 Research collaborations
- >70,000 Suppliers

** Outputs**

**Outcomes**

**Impacts**

**Business model**

**Corporate purpose**
- We create chemistry for a sustainable future

**Our targets**
- Profitable growth
- Effective climate protection
- Product portfolio geared to innovation and sustainability
- Responsible procurement
- Resource-efficient and safe production
- Employee engagement and diversity

**How we operate**
- Our customers are at the core of our strategy.
- Sustainability and innovation is at the center of everything we do and a driver for growth and value.
- Safety is always our number one priority.
- BASF’s Verbund structure is the backbone of our efficient and reliable production.
- Our six segments are aligned with value chains and address customer needs with differentiated solutions and business strategies.
- We have a global, customer-focused presence.
- Effective corporate governance ensures responsible conduct.
- We value our stakeholders and treat them with respect.
Outcomes

<table>
<thead>
<tr>
<th>Financial</th>
<th>Innovation</th>
<th>Operations</th>
<th>Environment</th>
<th>Employees</th>
<th>Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>€78.6 billion Sales</td>
<td>~820 New patents worldwide</td>
<td>~45,000 Sales products</td>
<td>47.0% Share of our waste recycled or thermally recovered</td>
<td>25.6% Women in leadership positions</td>
<td>787 Suppliers screened through Together for Sustainability</td>
</tr>
<tr>
<td>€7.8 billion EBIT before special items</td>
<td>€24.1 billion Accelerator sales</td>
<td>7.3 million metric tons CO₂ avoided by the Verbund and combined heat and power generation</td>
<td>78.5% Water demand recirculated</td>
<td>82% Engagement index according to 2020 employee survey</td>
<td>77 Internal audits on our compliance standards</td>
</tr>
</tbody>
</table>

Outcomes¹

**Economic**

- We make positive contributions by:
  - Driving forward growth, progress and value creation
  - Strengthening our customers’ competitiveness and innovative strength
  - Accelerating the digital transformation of the industry
  - Offering our investors an attractive dividend yield

- Potential negative impacts:
  - Weaker growth stimulus due to the coronavirus pandemic, the ongoing trade conflict between the United States and China, and an escalation of geopolitical conflicts.
  - A weaker share performance

**Environmental**

- We make positive contributions by creating products that:
  - Contribute to climate protection
  - Conserve resources, avoid waste and strengthen circularity
  - Pave the way for climate-friendly mobility
  - Are environmentally friendly and safe to use

- Negative impacts:
  - The emission of CO₂ and other gases that affect the climate
  - Resource consumption and non-recyclable waste
  - Potential misuse or spillage of products

**Social**

- We make positive contributions because we:
  - Offer products that improve people’s quality of life
  - Provide attractive jobs and promote diversity
  - Pay taxes and competitive wages and salaries
  - Promote integration and help overcome social challenges

- Potential negative impacts:
  - Risk of violation of labor, environmental and social standards in the production of the raw materials we procure
  - Lower demand for employees in some areas

- Our countermeasures:
  - Disciplined implementation of our corporate strategy
  - Active portfolio management
  - Systematic cost management
  - Optimizing the cost of capital
  - Carbon management
  - Circular Economy Program
  - Sustainable water and energy management
  - Responsible Care management (including product stewardship)
  - Careful selection, evaluation and development of suppliers
  - Projects to improve sustainability in the supply chains
  - Compliance Program and Code of Conduct
  - Employee training program

Impact

We achieve long-term business success by creating value for our shareholders, our company, the environment and society (see page 47 and basf.com/en/value-to-society)

¹ The outcomes category shows examples of positive contributions as well as negative impacts and the measures we take to mitigate them.