

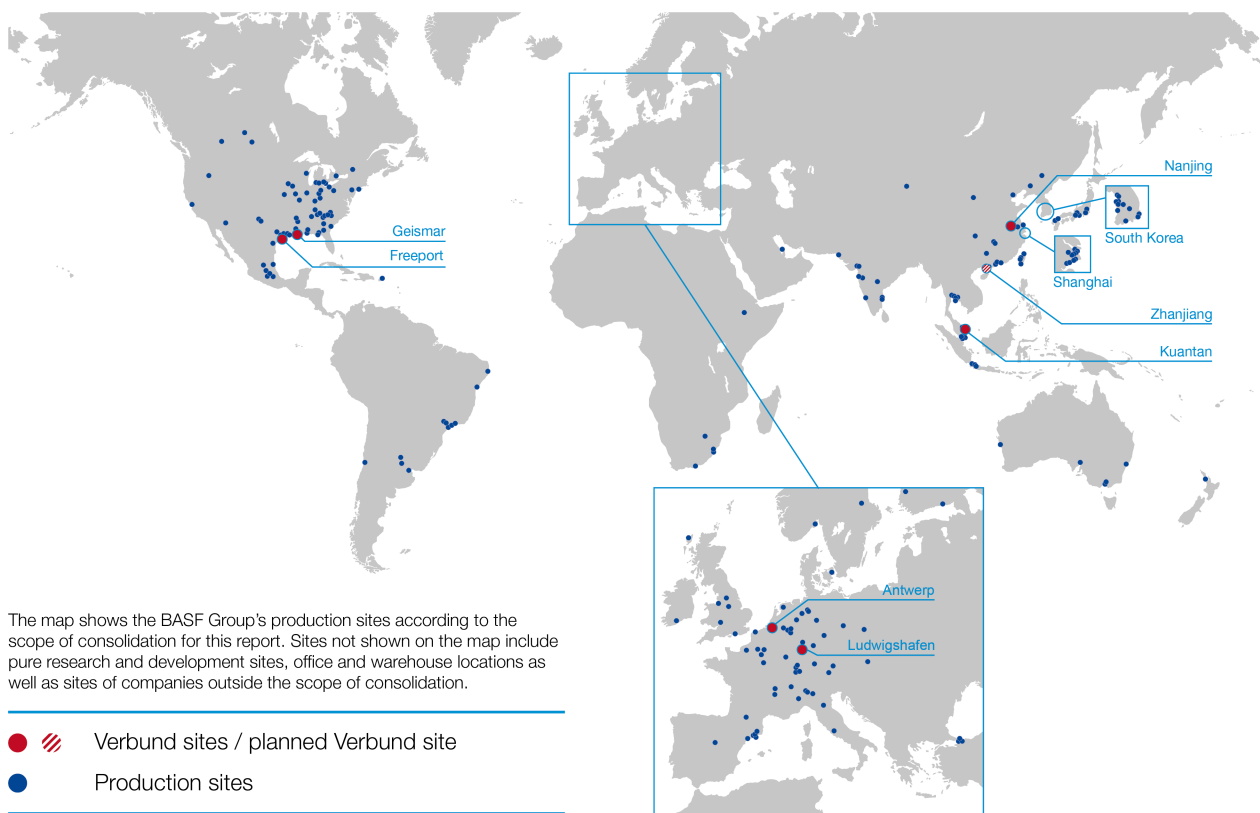
1.1 Fundamentals of the Group

BASF Group

At BASF, we create chemistry for a sustainable future. Our ambition is to be the preferred chemical company to enable our customers' green transformation. We combine economic success with environmental protection and societal responsibility. Our portfolio is structured into core businesses and standalone businesses.

Sites and Verbund

BASF production sites



BASF had 111,822 employees in 92 countries in the 2024 business year and operated 235 production sites worldwide. These include six Verbund sites, which are located in Ludwigshafen, Germany; Antwerp, Belgium; Freeport, Texas; Geismar, Louisiana; Kuantan, Malaysia; and Nanjing, China. A seventh Verbund site is currently under construction in Zhanjiang, China. We aim to start up the new Chinese Verbund site in the fourth quarter of 2025. The Verbund concept is one of our key strengths, enabling us to intelligently link and steer our plants and permitting resource-efficient, CO₂-optimized and reliably managed production.

» For more information on the Verbund concept, see basf.com/verbund

Organization of the BASF Group

In the 2024 business year, the BASF Group consisted of 11 operating divisions, grouped into the following six segments:

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

BASF Group segments in 2024

Core businesses

Chemicals

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

- Share of sales: 16.6%
- R&D expenses: €80 million
- Investments including acquisitions^a: €3,403 million

Materials

In the Materials segment, we produce advanced plastics and their precursors for processing industries.

- Share of sales: 20.7%
- R&D expenses: €180 million
- Investments including acquisitions^a: €1,139 million

Industrial Solutions

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

- Share of sales: 12.5%
- R&D expenses: €144 million
- Investments including acquisitions^a: €289 million

Nutrition & Care

The Nutrition & Care segment produces ingredients for consumer applications such as human nutrition and cleaning agents.

- Share of sales: 10.3%
- R&D expenses: €149 million
- Investments including acquisitions^a: €809 million

Standalone businesses

Surface Technologies

The Surface Technologies segment produces chemical solutions for surfaces such as automotive OEM coatings, battery materials and catalysts.

- Share of sales: 19.8%
- R&D expenses: €313 million
- Investments including acquisitions^a: €560 million

Agricultural Solutions

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

- Share of sales: 15.0%
- R&D expenses: €919 million
- Investments including acquisitions^a: €387 million

^a Additions to property, plant and equipment and intangible assets

BASF implemented a **Differentiated Steering concept** at the start of the 2024 business year. As part of this, two new, most important financial key performance indicators for steering the BASF Group in the short and medium term were established as of January 1, 2024: income from operations before depreciation, amortization and special items (EBITDA before special items) and free cash flow. EBITDA before special items and segment cash flow were introduced as the most important financial key performance indicators for the segments (for more information on the BASF Group's steering concept, see page 28 onward). This enables us to provide a higher level of transparency around the results of our segments (for more information on segment performance, see page 61 onward). Scope 1 and 2 CO₂ emissions remained the most important sustainability-related key performance indicator at Group level.

In addition, we restructured **BASF's portfolio** as part of our strategy, which was announced in September 2024. We now differentiate between core businesses and standalone businesses, which operate independently. Our core businesses comprise the Chemicals, Materials, Industrial Solutions and Nutrition & Care segments. They benefit from their deep integration in our value chains and the Production Verbund. Our standalone businesses are clustered in the Surface Technologies and Agricultural Solutions segments. These serve distinct industries and compete with peers who focus exclusively on individual industries ("pure players"). Our standalone businesses now have greater

flexibility and operational freedom, enabling them to react more swiftly and appropriately to specific market requirements.

The operating divisions, the service units, research and development and the Corporate Center are the **cornerstones of the BASF organization**. Regional structures are being dissolved to simplify and streamline the organization. This new setup lays the foundation for more customer proximity, value creation, competitiveness and profitable growth.

The **operating divisions** bear strategic and operational responsibility and are organized according to sectors or products.

Five **service units** provide competitive services for the BASF Group:

- Global Engineering Services
- Global Digital Services
- Global Procurement
- European Site & Verbund Management
- Global Business Services (finance and controlling, human resources, safety, intellectual property, communications, procurement, supply chain, in-house consulting services and real estate)

The **Global Business Services unit** was revamped, effective November 1, 2024. Clearer roles and structures were established in order to increase flexibility and at the same time ensure conscious cost management. The unit has been decentralized and is increasingly focusing on four service areas: regional and global services, global project consulting, and portfolio and technology management. The latter drives long-term objectives within Global Business Services and pursues global projects.

Our dedicated **research and development units** are integrated into the divisions, while activities with broad relevance for our businesses are bundled in a research division – Group Research. This division is globally positioned with research centers in Asia Pacific, Europe and North America. With this setup, we are focusing our research activities on our customers and their industry-specific needs (for more information, see page [37](#) onward).

The **Corporate Center** supports the Board of Executive Directors in steering the company as a whole. This includes central tasks in the following areas: strategy; finance and controlling; legal, compliance and insurance; tax; environmental protection, health, safety and quality; human resources; communications; investor relations; corporate audit and, until the end of 2024, also the Net Zero Accelerator unit.

Organization of the BASF Group as of January 1, 2025

As part of the implementation of the new strategy, the Catalysts division was restructured, effective January 1, 2025; as a result, the Surface Technologies segment will now comprise three standalone businesses going forward instead of two: The Coatings division will remain unchanged, while the Battery Materials and Environmental Catalyst and Metal Solutions (ECMS) business units have been established as separate divisions. Additionally, the chemical and refining catalysts business, formerly part of the Catalysts division, will be reported as part of the Performance Chemicals division in the Industrial Solutions segment from now on. As a result, the BASF Group comprises 12 operating divisions as of the beginning of the 2025 business year.

In addition, the activities of the Net Zero Accelerator unit were integrated into existing divisions and service units, effective January 1, 2025, ensuring that BASF's green transformation is aligned even more closely with market trends so that the businesses can even better react to new customer requirements.

Business and competitive environment

As a global company, BASF is present in a large number of markets and operates in the context of various local, regional and global developments. These include:

- The global economic and political environment
- Legal and political requirements
- International trade agreements
- Industry standards
- Environmental agreements (such as the EU Emissions Trading System)
- Social aspects (such as the U.N. International Bill of Human Rights)

BASF supplies products and services to around 74,000 **customers**¹ from various sectors in almost every country in the world. Our customer portfolio comprises mainly major global customers and medium-sized enterprises. We focus on a business-to-business model and on being a partner for a wide range of downstream industries throughout the world.

We work with over 70,000 **Tier 1 suppliers**² worldwide. They provide us with important raw materials, chemicals, investment goods and consumables, and perform a range of services (for more information, see page [292](#) onward).

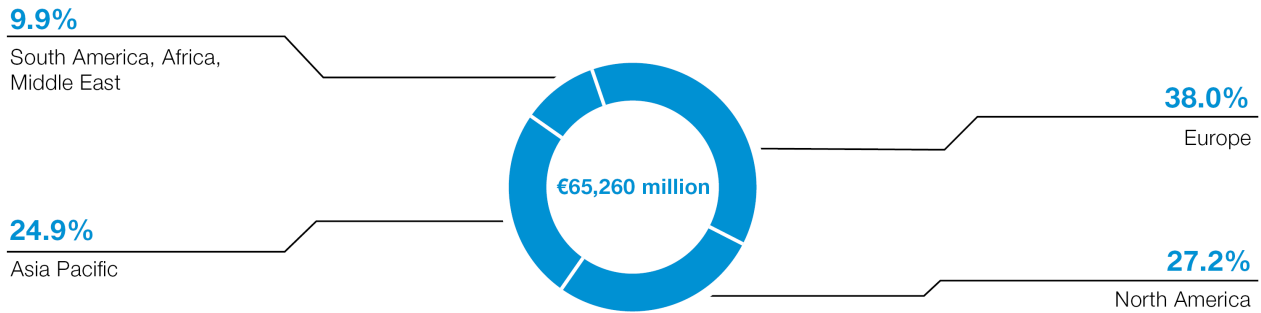
¹ The number of customers refers to all external companies (sold-to parties) that had contracts with the BASF Group in the business year concerned under which sales were generated.

² 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.

Our most **important global competitors** include Arkema, Bayer, Celanese, Clariant, Corteva, Covestro, Dow, DSM-Firmenich, Eastman, Evonik, Huntsman, LyondellBasell, SABIC, Sinopec, SYENSQO, Syngenta, Wanhua and many hundreds of local and regional competitors. 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. (BASF is a top-three market leader in roughly 75% of its core businesses. Equally, our standalone businesses have good to leading positions in their respective markets.)

BASF sales^a by region 2024

By location of customer



^a For more information on taxonomy-eligible sales revenue from the manufacture of organic basic chemicals, see page [257](#) onward.

Goals for the Ludwigshafen site

Low market growth rates in Europe, a slow recovery in demand, higher gas prices than in other regions and ongoing bureaucratic hurdles have significantly burdened the European chemical industry in recent years. This has affected the Ludwigshafen site in Germany in particular, where production output and profitability have declined considerably.

As part of our new corporate strategy, we have therefore also addressed the development of a medium- to long-term vision for the Ludwigshafen site that takes into account the major challenges BASF is facing in Europe and Ludwigshafen in particular. In addition to short-term cost reduction measures, it addresses the expected future market and business development in Europe and Germany, particularly with regard to the sustainability-driven transformation, as well as a clear strategic direction for the further development of the site. The cost savings measures we have already communicated are contributing to this.

The starting point for developing the range of objectives was an in-depth analysis of our Verbund structures. This revealed that, on the one hand, all key value chains and the majority of our plants are competitive at their core. On the other hand, BASF can benefit from the dynamics of change in the context of green transformation. The integrated Verbund system at the Ludwigshafen site allows us to use energy and resources efficiently. Due to the numerous entry points, we can exchange raw materials in a targeted manner and, for example, use renewable and recycled raw materials in existing plants in a flexible and scalable way. This ensures that we can supply customers with solutions to enable their green transformation.

However, there are also plants that are already no longer competitive or are at risk of losing competitiveness in the medium to long term. An initial package of measures aimed at further adapting production structures at the site has already been announced and partially implemented. Examples are the closures of the plants for adipic acid, cyclododecanon and cyclopentanon that were announced at the end of August 2024.

BASF will also use an additional bundle of measures to adjust its nonproduction structures in Ludwigshafen and to significantly cut costs. This cost savings program is an addition to the package of measures focusing on Europe and particularly on Germany from February 2023, with which BASF aims to achieve around €1.1 billion in cost savings by the end of 2026. Total annual savings of more than €2.1 billion are expected from the end of 2026. This will make the Ludwigshafen site leaner, stronger and more competitive. Our goal is to enable Ludwigshafen to operate successfully in the medium to long term as a leading, sustainable chemical site for Europe with an improved competitive position on the European market.

Corporate legal structure

BASF SE, the BASF Group's publicly listed parent company, plays a core role: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group and is also one of the largest operating companies. A total of 268 companies including BASF SE are fully consolidated. Nine joint operations are accounted for pro rata, while 24 companies are accounted for using the equity method (for further information, see Note 2 to the Consolidated Financial Statements from page [343](#) onward).

How We Create Value

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The following overview shows how we create value for our stakeholders.



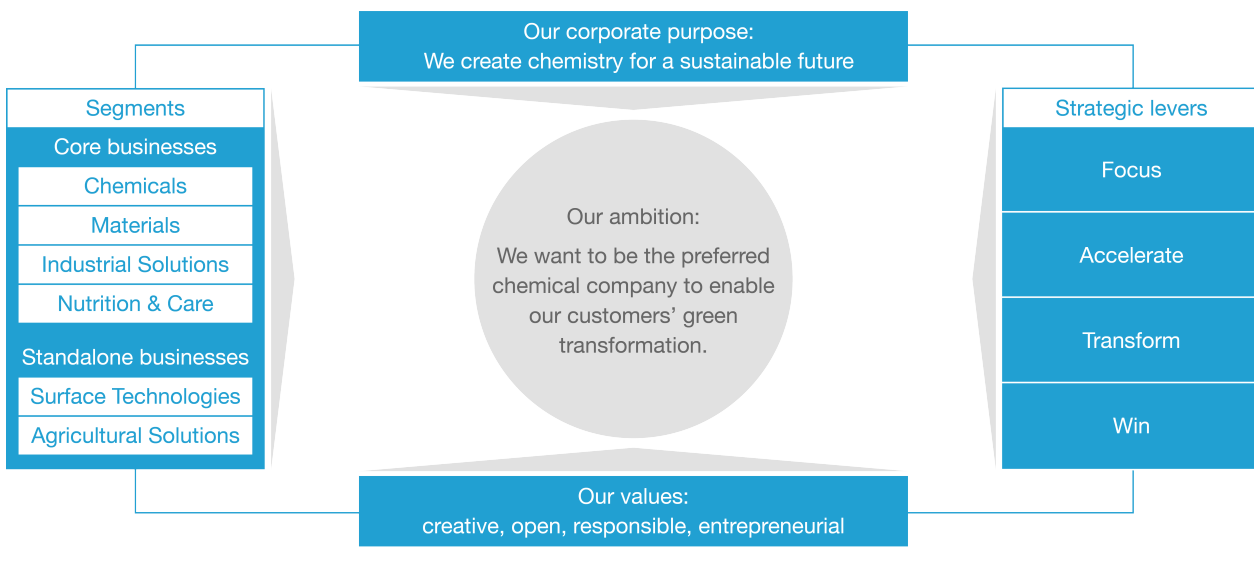
Inputs

Financial	Innovations	Production
<p>Our aim is to optimize our cost of capital, limit financial risks and ensure solvency at all times.</p>	<p>We develop innovative and more sustainable solutions with our customers and suppliers in order to enter new markets and further increase our productivity.</p>	<p>Safety, quality and reliability are the key to our excellence in production.</p>
<p>45.9% Equity ratio</p>	<p>~10,000 R&D employees</p>	<p>€6.0 billion Capital expenditures (capex)</p>
<p>>900,000 Shareholders</p>	<p>€2.1 billion R&D expenses</p>	<p>26% Electricity from renewable sources¹</p>
Environmental	Employees	Partnerships
<p>We use natural resources, among other things, to manufacture products and solutions with high value added for our customers.</p>	<p>Everything we do is based on the expertise, knowledge, motivation and commitment of our employees.</p>	<p>Trust-based relationships are crucial to our license to operate and our reputation.</p>
<p>1.2 million metric tons Renewable resources¹</p>	<p>111,822 Employees around the world</p>	<p>>70,000 Suppliers</p>
<p>1,507 million m³ Total water abstraction¹</p>	<p>€11.2 billion Personnel expenses</p>	<p>~74,000 Customers</p>

¹ The sustainability-related key figures shown in this graphic are – unlike the financial key figures shown – not part of the statutory audit but are part of a separate audit with limited assurance.



Business model



Outputs

Financial

€7.9 billion
EBITDA before special items

~€2.0 billion
Proposed dividend payment to shareholders³

Environment

>1,800
Mass balance products based on alternative raw materials²

81%
Water demand recirculated²

Innovations

1,159
New patents worldwide

~€11 billion
Sales of products that have been on the market for up to five years⁴

Employees

79%
Engagement index according to our annual employee survey²

29.3%
Women in leadership positions²

Production

>40,000
Sales products for which we calculate a carbon footprint²

6.1 MMT
CO₂ avoided by the Verbund and combined heat and power generation²

Partnerships

446
BASF suppliers screened as part of Together for Sustainability²

~40
Strategic customer networks²

² The sustainability-related key figures shown in this graphic are – unlike the financial key figures – not part of the statutory audit but are part of a separate audit with limited assurance.

³ Based on the dividend proposed to the Annual Shareholders' Meeting and the number of outstanding shares (892,522,164) as of December 31, 2024

⁴ This is voluntary, unaudited information, which was critically read by the auditor.



Outcomes⁵

Relevant external impact factors for our company's success as well as positive and negative impacts of our business activities:

Economic

Environmental

Social



Selected relevant external impact factors

- Customer demand and requirements
- Investment readiness
- Capital market trends
- State of the economy, competitive conditions, investment climate
- Climate change
- Energy transformation
- Availability of/access to renewable resources
- Climate-related legislation
- Regulations on product safety
- Sustainability targets of our customers
- Demand for more sustainable products, willingness to pay
- Labor, environmental and social standards
- Stakeholder trust
- Interest of qualified personnel and leaders
- Demographic change

Selected impacts of our business activities

- + Growth, progress and value creation for the state, customers, investors and employees
- + Our customers' competitiveness and innovative strength
- + Digital transformation of the industry
- + Attractive dividend and share buyback payments to shareholders
- + Market development through more climate-smart products
- + Contribution to climate protection/ climate change adaptation
- + Innovation as a lever for climate protection
- + Contribution to the circular economy
- + More environmentally friendly and safer products
- Greenhouse gas emissions
- Emissions to air and water
- Land use
- Resource consumption and nonrecyclable waste
- Potential misuse or spillage of products
- + Taxes and competitive wages and salaries
- + Attractive jobs
- + Integration, help to overcome social challenges
- + Global compliance systems and codes of conduct
- Procurement of raw materials with risk of violation of, for example, social and environmental standards
- Health and occupational safety risks
- Personnel adjustments
- Restructuring measures



BASF

We address positive and negative impacts through:

<ul style="list-style-type: none"> ▪ Corporate strategy ▪ Portfolio management ▪ Cost management and cost of capital optimization ▪ Differentiated Steering 	<ul style="list-style-type: none"> ▪ Climate protection and circular economy initiatives ▪ Water and energy management ▪ Actions to protect biodiversity ▪ Responsible Care Management 	<ul style="list-style-type: none"> ▪ Supplier management ▪ Sustainability projects in the supply chains ▪ Compliance Program and Code of Conduct ▪ Employee training programs ▪ Performance management system
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In providing our customers with solutions to enable their green transformation, we want to grow profitably and create value.

⁵ Outcomes shows examples of impacts on our business and impacts that our activities may have on others, the environment and our business environment as well as the associated measures we take.

⁶ The results of our double materiality assessment are included in the presentation of external factors and impacts of our business activities. These are not shown in full here. A comprehensive explanation of the impacts, risks and opportunities identified as part of our double materiality assessment can be found from page 170 onward.