

1.3 Forecast

For 2026, we anticipate global GDP growth of 2.7% and industrial growth of 2.3%. In this economic environment, we expect global chemical production to grow by 2.4%. The macroeconomic risks remain high in view of geopolitical conflicts and increasing protectionist tendencies.

Economic Environment in 2026¹

While overall economic growth rates in 2025 were still supported by frontloading effects and the associated temporary buildup of inventories, we expect the higher tariffs on imports into the United States to have a dampening effect on growth in 2026. Rising consumer prices in the United States are expected to have a stronger impact. The diversion of global trade flows triggered by higher tariffs in the United States and countermeasures by its trading partners is impacting growth in other regions and resulting in higher import pressure, especially in Europe.

Trends in the Global Economy in 2026

We anticipate global GDP will grow by 2.7%, slightly weaker than in 2025. Growth is expected to ease in both advanced economies (+1.6%) and emerging markets (+4.0%) relative to the previous year.

For the **European Union (EU)**, we assume that overall growth will slow from 1.6% in 2025 to 1.2% in 2026. In France and Italy, we expect growth to remain low at just under 1%, while we assume that GDP growth in Spain will decline to 2.3%. Ireland, which had double-digit growth in 2025, is playing a significant role in the slowdown in growth in the EU. For 2026, we expect a slight decline in Ireland's GDP.

We expect German GDP to grow by just under 1%, after having largely stagnated in 2025. Government spending on infrastructure and defense is expected to support growth. In foreign trade, on the other hand, the headwind caused by higher U.S. tariffs is becoming more apparent.

At 2.4%, eastern EU countries are expected to grow at around the same rate as in 2025, supported by rising government spending and solid growth in private consumption.

For the **United Kingdom**, we expect growth (+0.9%) to be slightly lower than in 2025 (+1.3%) as fiscal policy is tightened and private spending is dampened by rising social security contributions.

In the **United States**, the demand-dampening effects of higher import tariffs and a weaker exchange rate are expected to become more apparent. In addition, the restrictive immigration policy will increasingly be reflected in the labor supply. On the positive side, tax cuts will have an expansionary effect, allied with a possible improvement in the trade balance and private consumption that remains stable overall. Overall, we expect growth of 2.3% in 2026 (2025: +2.3%).

¹ Our assumptions account for current estimates by external institutions, including economic research institutes, banks, multinational organizations and consulting firms.

In **China**, the economy is expected to experience weaker growth. We expect growth in 2026 to be broadly in line with the target of the Chinese government and will be around 4.5% (2025: +5.0%). This forecast assumes that China will manage a modest increase in exports in bilateral trade despite the higher import tariffs imposed by the United States, that private consumption will continue to rise and that investment will gather pace again at the beginning of the new five-year plan.

We expect growth to slow slightly for the **other emerging Asian markets** in the somewhat weaker global environment. Growth prospects in the region remain high due to integration in international supply chains and increasing local demand (2026: +5.0%, 2025: +5.9%). In India, we expect above-average growth of around 6.5%, and for the ASEAN countries growth of slightly more than 4%.

For **Japan**, we expect slightly weaker GDP growth again (2026: +0.5%, 2025: +1.2%). Overall, economic momentum in Japan remains subdued because the central bank is gradually raising interest rates, real income increases are comparatively modest and exports are suffering from higher U.S. tariffs.

In **South America**, we anticipate weaker overall growth (2026: +2.1%, 2025: +2.8%). Argentina is unlikely to be able to maintain the high growth of over 4% witnessed in 2025, even if the economic tailwind derived from reforms continues. We forecast growth of around 3%. Growth in Brazil is expected to slow to just under 2%. This means that the cyclical slowdown in the economy, already evident in the second half of 2025, is set to continue.

Outlook for gross domestic product 2026 and 2026–2028

| Real change compared with previous year | 2026 | 2026–2028 |
|--|-------------|-------------|
| World | 2.7% | 2.6% |
| European Union | 1.2% | 1.5% |
| United States | 2.3% | 1.9% |
| China | 4.5% | 4.2% |
| Emerging markets of Asia excluding China | 5.0% | 5.0% |
| Japan | 0.5% | 0.5% |
| South America | 2.1% | 2.4% |

Outlook for Key Customer Industries

We anticipate **global industrial production** will increase by 2.3% (2025: +2.9%). It is expected to grow only marginally in the advanced economies (2026: +0.7%, 2025: +0.6%). Growth is likely to decline slightly in the emerging markets (2026: +3.5%, 2025: +4.7%).

We expect the entire **transportation industry**¹ to stagnate after growth of 3.3% in 2025. For the production of passenger cars and light commercial vehicles, we now expect a slight decline after the significant growth in 2025. Global production will decline from just under 93 million vehicles to 92.6 million vehicles. For the market in China, we now expect a slight decline after the strong growth in 2025. We also anticipate a decline in production for the EU, the United States, South Korea and Japan. Countervailing positive momentum is coming from India and the ASEAN countries. The share of battery electric vehicles (BEVs) in the total production volume is expected to increase further from around 16% in 2025 to around 19% in 2026.

¹ 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).

Given the slightly weaker global industrial growth, the **energy and raw materials** sector is likely to grow at a slower pace in 2026 compared with 2025. All subsectors (energy supply, oil and gas production, refining, non-energy raw materials extraction) are expected to contribute to growth. The production of non-energy raw materials is expected to grow slightly faster than oil and gas production.

We expect the **construction industry** to accelerate moderately, but growth will remain lower than that of global industrial production. The building construction sector remains weak globally, while infrastructure investments continue to grow solidly. In the EU, we anticipate that the residential real estate cycle will have bottomed out, with residential construction expected to grow slightly stronger than in the previous year. In the United States, residential construction investment is expected to continue to fall against the backdrop of interest rates and construction costs remaining high. As infrastructure spending is also only increasing moderately, construction activity in the region is expected to continue to decline overall. For China, we expect a further decline in new residential construction, which will be offset by infrastructure investments, resulting in modest overall market growth.

As in 2025, **consumer goods production** will grow at a slightly weaker rate than global GDP. Production in the furniture industry is expected to increase again, but will grow only weakly overall. Higher growth rates, which continue to lie below the global GDP growth rate, are expected in the textile and apparel industry. Production of care chemicals is also anticipated to grow at a slightly slower pace than global GDP.

We expect the **electronics industry** to continue to grow at an above-average rate, although it is forecast to be somewhat weaker than in 2025. Growth continues primarily in computer and communications technology, whereas traditional consumer electronics is likely to see weaker growth.

We expect growth in the **health and nutrition** sector to be weaker than in 2025 and slightly below the GDP growth rate. As in 2025, growth in the food industry is expected to lag slightly behind global GDP, while slightly higher growth is projected for the pharmaceutical industry, albeit lower than the above-average performance in 2025.

Agricultural production in 2026 is expected to grow slightly less than in 2025, when yields grew at an above-average rate due to favorable weather conditions. In Europe and North America, growth is expected to remain stable but at a low level. In South America, on the other hand, growth is likely to slow significantly following the strong catch-up effects in Brazil in 2025. In Asia, agricultural production is likely to continue to grow solidly overall. However, growth is expected to be slightly subdued in China after the above-average rate in 2025. The other countries in the region are expected to maintain their growth momentum.

Outlook for the Chemical Industry

The **global chemical industry (excluding pharmaceuticals)** is expected to grow by 2.4% in 2026, slower than in 2025 (+3.6%). As in 2025, we expect production in the mature economies to decline (2026: -0.6%, 2025: -0.7%). Growth in the emerging markets will slow (2026: +3.6%, 2025: +5.3%).

In **China**, which accounts for half of global chemical production, growth is expected to slow but still remain solid (2026: +4.0%, 2025: +7.0%). We continue to expect a substantial rise in demand from Chinese customer industries overall. In addition, we expect exports to continue to grow, especially to Asia and Europe.

In the other emerging markets of Asia, we assume that the chemical industry will return to stronger growth after the slight increase in 2025, but this will be below the level of growth in domestic industrial production (2026: +2.6%, 2025: +0.7%).

We foresee a further decline in production for the **EU** (2026: -0.6%, 2025: -2.1%). Overall, demand from customer industries in Europe remains weak. In foreign trade, import pressure is expected to remain high. At the same time, increased import tariffs in the United States and the weaker U.S. dollar lower the competitiveness of European imports in the United States.

Despite the improved position on export markets, we expect a slight decline in chemical production (-1.0%) for the **United States** due to weak industrial demand from the automotive industry, the construction sector and the consumer goods industry.

We forecast stagnation for **Japan** after a decline in production by 0.8% in 2025. This is in line with the overall subdued growth in customer industries.

In **South America**, chemical production is expected to grow moderately overall, supported by growing demand from all major customer industries.

Outlook for chemical production (excluding pharmaceuticals) 2026 and 2026–2028

| Real change compared with previous year | 2026 | 2026–2028 |
|--|-------------|-------------|
| World | 2.4% | 2.8% |
| European Union | -0.6% | 0.5% |
| United States | -1.0% | 0.5% |
| China | 4.0% | 4.0% |
| Emerging markets of Asia excluding China | 2.6% | 3.2% |
| Japan | 0.0% | 0.3% |
| South America | 2.0% | 2.2% |

Outlook 2026

Global economic development in 2026 will be determined by changes in trade policy conditions and ongoing geopolitical uncertainty. Temporary extraordinary effects from early orders and a corresponding buildup of inventories, which supported growth in the previous year, will not occur in 2026. The higher tariffs in the United States are redirecting the global flow of goods and leading to increasing competitive pressure in countries or regions with lower import barriers.

Against this background, we expect more subdued development of the global economy as well as industrial and chemical production in 2026. Our forecast for the BASF Group and its segments assumes that growth in global gross domestic product will be slightly lower and that of global industrial production will be significantly lower than the prior-year level. We expect a further decline in chemical production in the mature economies and weaker growth in the emerging markets. In China, growth will weaken but remain solid as demand from Chinese customer industries continues to grow, supported by exports. In the EU and the United States in particular, we expect a further decline in chemical production due to weak demand and, in the case of the EU, high import pressure. After automotive production increased significantly in 2025, we expect a slight decline in 2026.

Our planning was based on an average oil price of \$65 for a barrel of Brent crude and an exchange rate of \$1.20 per euro (for more information on the outlook on the economic environment in 2026, see page [81](#) onward and for opportunities and risks, see page [90](#) onward).

Earnings and Free Cash Flow Forecast for the BASF Group¹

Forecast at Group level

| Million € | 2025 | 2026 forecast |
|---|-------|------------------------------|
| EBITDA before special items | 6,554 | €6.2 billion to €7.0 billion |
| Cash flows from operating activities | 5,610 | €4.9 billion to €5.7 billion |
| – Payments made for property, plant and equipment and intangible assets | 4,267 | €3.4 billion |
| Free cash flow | 1,342 | €1.5 billion to €2.3 billion |

The BASF Group expects **EBITDA before special items** of between €6.2 billion and €7.0 billion in 2026 (2025: €6.6 billion). The Nutrition & Care and Chemicals segments are likely to increase their earnings significantly, while Industrial Solutions expects a slight increase in earnings. In the Materials and Agricultural Solutions segments, we forecast slightly lower earnings due to currency effects. Surface Technologies' EBITDA before special items is predicted to be significantly below the 2025 level, mainly due to the absence of one-off effects in the Environmental Catalyst and Metal Solutions (ECMS) division.

We expect the BASF Group's **free cash flow** to be between €1.5 billion and €2.3 billion (2025: €1.3 billion). This is based on forecast cash flows from operating activities of between €4.9 billion and €5.7 billion, minus the expected payments made for property, plant and equipment and intangible assets in the amount of €3.4 billion.

¹ For EBITDA before special items and cash flow, "slight" represents a change of 0.1% to 10.0%, while "considerable" applies to changes of 10.1% and higher. "At prior-year level" indicates no change (+/-0.0%).

CO₂ Emissions Forecast for the BASF Group

CO₂ emissions are expected to be between 17.2 million metric tons and 18.2 million metric tons in 2026. We expect higher emissions compared to the previous year mainly due to the startup of the Verbund site in Zhanjiang, China, while production volumes at other production sites will remain almost unchanged. We will counteract this increase with targeted measures to reduce emissions, such as further increasing energy efficiency, optimizing processes and continuing the shift to electricity from renewable energies.

Forecast for the Segments

Segment overview

| Million € | EBITDA before special items | | Segment cash flow | |
|------------------------|-----------------------------|-----------------------|-------------------|-----------------------|
| | 2025 | 2026 forecast | 2025 | 2026 forecast |
| Chemicals | 853 | Considerable increase | -1,182 | Considerable increase |
| Materials | 1,575 | Slight decrease | 1,054 | Considerable decrease |
| Industrial Solutions | 1,200 | Slight increase | 1,061 | Slight decrease |
| Nutrition & Care | 649 | Considerable increase | -67 | Considerable increase |
| Surface Technologies | 800 | Considerable decrease | 627 | Considerable decrease |
| Agricultural Solutions | 2,081 | Slight decrease | 1,505 | Considerable decrease |

In the **Chemicals** segment, we expect a significant increase in EBITDA before special items in 2026. In both the Petrochemicals and Intermediates divisions, this increase will be mainly attributable to new capacities as a result of the Verbund site in Zhanjiang becoming fully operational. Lower fixed costs in the Intermediates division are expected to support the earnings trend. We assume a considerable improvement in the segment's cash flow compared to 2025. In addition to the expected higher EBITDA in both divisions, this will be mainly driven by the planned further reduction in capital expenditure in the Petrochemicals division.

Compared with 2025, we anticipate a slight decrease in EBITDA before special items for the **Materials** segment. For the Monomers division, we forecast that earnings will be significantly below the prior-year level, mainly due to weaker margins and currency effects. Conversely, we expect a significant increase in earnings in the Performance Materials division due to higher volumes with stable margins. Segment cash flow is expected to be significantly below the level of the previous year. In the Monomers division, we anticipate a significant decline in cash flow, primarily attributable to an increase in trade accounts receivable and inventories related to the new capacities as a result of the MDI expansion in North America. In the Performance Materials division, segment cash flow is also expected to be significantly lower than the prior-year level, mainly due to rising capital expenditure.

In the **Industrial Solutions** segment, EBITDA before special items is expected to increase slightly. While we anticipate significant earnings growth for the Performance Chemicals division, mainly due to lower fixed costs, we forecast a slight increase in earnings for the Dispersions & Resins division, mainly due to measures to improve margins as well as lower fixed costs. Segment cash flow is anticipated to be slightly below the prior-year level overall. We expect a significant decline in the Dispersions & Resins division, mainly due to increased capital expenditure. This development will more than offset the expected significant increase in the Performance Chemicals division, which will mainly result from higher EBITDA.

In the **Nutrition & Care** segment, we expect a significant increase in EBITDA before special items in 2026, mainly due to increased volumes in the Nutrition & Health division, after the previous year had been impacted by the consequences of force majeure events. However, the regulatory required maintenance shutdowns in the first and second quarters of 2026 will have an offsetting effect. The Care Chemicals division anticipates significantly higher earnings, as the effects of persistently high competitive pressures and squeezed margins are expected to be offset by additional volumes from new plants and slightly lower fixed costs. Segment cash flow is expected to increase significantly in 2026 in both divisions, primarily due to lower capital expenditures as well as higher earnings.

In the **Surface Technologies** segment, we anticipate a significant decline in earnings, particularly since the earnings of the ECMS division were positively influenced by one-off effects in 2025. The Battery Materials division is also predicted to have a significantly lower result, as higher fixed costs due to discontinued subsidies will only be partially offset by a slightly higher contribution margin. In addition, the earnings contributed by the Brazilian decorative paints business, which was sold on October 1, 2025, are no longer included in the segment. Overall, segment cash flow is forecast to be significantly below the prior-year figure. This is based on the fact that we expect negative effects from working capital in the Battery Materials division, while lower EBITDA will be the main factor in the ECMS division.

In the **Agricultural Solutions** segment, EBITDA before special items for 2026 is expected to be slightly lower than in the previous year. We expect rising volumes and lower fixed costs to be more than offset by negative currency effects. Compared to 2025, we expect a significant decline in the segment's cash flow, mainly attributable to lower positive contributions from working capital, especially from trade accounts receivable.

Capital Expenditures (Capex)

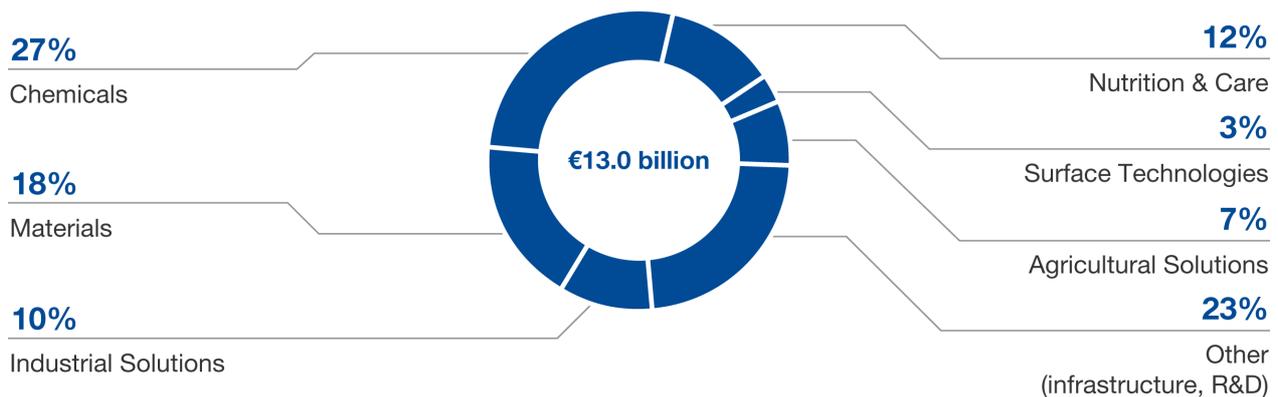
In 2026, the BASF Group is planning capital expenditures of around €3.3 billion (additions to property, plant and equipment excluding acquisitions, IT investments, restoration obligations and right-of-use assets arising from leases). As planned, these will be below the level of depreciation and amortization. For the four-year period from 2026 to 2029, we are planning capital expenditures totaling €13.0 billion, including around €0.8 billion for the new Verbund site in China. The investment volume in the next four years (2026-2029) will be considerably below that of the planning period 2025 to 2028 (€16.2 billion).

Projects currently being planned or underway include:

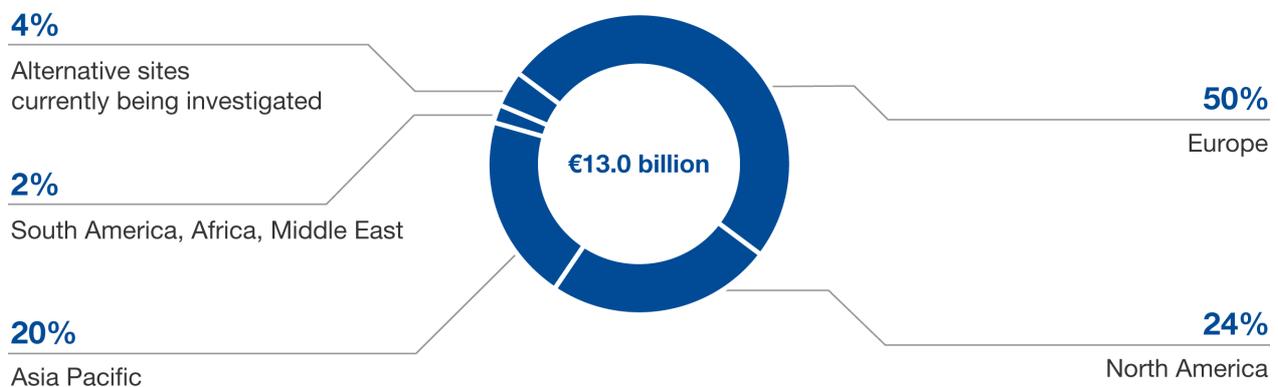
Capex: selected projects

| Location | Project |
|-----------------------|--|
| Geismar, Louisiana | Capacity expansion at MDI plants |
| Ludwigshafen, Germany | Construction of a new production plant for semiconductor-grade sulfuric acid |
| Ludwigshafen, Germany | Expansion of Neopor® production capacity |
| Zhanjiang, China | Construction of an integrated Verbund site |

Capex by segment 2026–2029



Capex by region 2026–2029



Distribution to Shareholders

BASF has set itself the target of distributing at least €12 billion to shareholders from 2025 to 2028 through a combination of dividends and share buybacks.

Specifically, the company intends to pay a dividend of at least €2.25 per share or around €2 billion each year. The proposed dividend¹ for the 2025 business year is consequently €2.25 per share (dividend for the 2024 business year: €2.25 per share). The total dividend distribution of at least around €8 billion over the four-year period will be supplemented by share buybacks of at least around €4 billion.

As announced as part of the “Winning Ways” strategy, share buybacks were planned to start in 2027 at the latest. In view of the cash inflows already received and still expected, in particular from portfolio measures, the Board of Executive Directors of BASF SE has resolved to buy back shares with a volume of up to €1.5 billion between November 2025 and the end of June 2026. This accelerated share buyback is part of the share buyback announced in September 2024 for a total of at least €4 billion by the end of 2028. BASF SE will redeem the repurchased shares and reduce the share capital accordingly.

Financing

BASF intends to significantly reduce its net debt. Maturities from outstanding bonds and bank loans will allow a significant reduction in debt in 2026. For the scheduled repayment of these liabilities, we expect cash outflows of around €2.2 billion in 2026. To optimize our maturity profile, we continue to have medium- to long-term corporate bonds and our global commercial paper program at our disposal (for more information, see page [58](#)).

BASF continues to strive for a single A credit rating, which ensures unrestricted access to financial and capital markets.

Events after the Reporting Period

On January 13, 2026, BASF announced that it had reached an agreement with the private equity firm Paine Schwartz Partners and other shareholders to acquire their portfolio company AgBiTech, Brisbane, Australia. AgBiTech specializes in biological insect control solutions. The transaction is structured as a share deal and includes all assets such as portfolio, intellectual property rights, production plants, research and development facilities and employees. Subject to approval by the competent authorities, the transaction is expected to close during the first half of 2026. The activity will then be reported in the Agricultural Solutions operating division.

¹ Dividend proposed by the Board of Executive Directors

Opportunities and Risks

The goal of BASF's risk management is to identify and evaluate opportunities and risks as early as possible and to take appropriate measures to seize opportunities and limit risks. The aim is to prevent any threat to BASF's continued existence and to create value through improved managerial decisions. We understand opportunities and risks to be any event that can positively or negatively impact the achievement of our short-, medium- or long-term goals.¹

Where quantifiable, we measure and manage opportunities and risks in terms of probability of occurrence and economic impact should they materialize. We use statistical methods to aggregate opportunities and risks into risk categories. In addition, we use a qualitative evaluation scale for opportunities and risks to assess both business and sustainability-related aspects that cannot be quantified. This approach provides an integrated overall view that enables us to assess economic and sustainability-related opportunities and risks at Group level based on the greatest economic impact or qualitative evaluation and probability, and to implement effective risk management measures.

Overall Assessment

For 2026, we expect slightly weaker global economic growth than in 2025, as well as slightly weaker growth on the chemicals market. Overall macroeconomic uncertainty will remain high.

A further escalation of current geopolitical conflicts could lead to disruptions in global supply chains and to greater constraints on the supply of energy, industrial raw materials and intermediates. The war in Ukraine and the situation in the Middle East continue to pose significant risks to market development and the supply of raw materials. Owing to the continued high uncertainty related to increased U.S. tariffs and potential countermeasures by trading partners, the effects on volumes, prices and competitive dynamics – and the associated opportunities and risks – are currently difficult to assess.

Additional opportunities may arise particularly from stronger economic growth if the macroeconomic development proves better than assumed. Moreover, significant opportunities and risks to our earnings arise from volatile margins. Our assessment of opportunities and risks stemming from margin and currency volatilities is based on forward-looking market-related assumptions.

According to our assessment, there continue to be no significant individual risks that pose a threat to the continued existence of BASF SE or the BASF Group. The same applies to the sum of all risks (for more information, see page [145](#) onward).

Ultimately, residual risks (net risks) remain in all business activities that cannot be eliminated, even by comprehensive risk management.

¹ At the beginning of the one-year assessment period, the targets correspond to the forecasts.

Potential short-term effects on EBITDA of key opportunity and risk factors subsequent to measures taken^a

| Possible variations related to: | Outlook – 2026 + | |
|---|---------------------|--|
| Business environment and sector | | |
| Market growth | | |
| Margins | | |
| Competition | | |
| Regulation/policy | | |
| Company-specific opportunities and risks | | |
| Procurement | | |
| Supply chain | | |
| Investments/production | | |
| Personnel | | |
| Information technology | | |
| Compliance/legal | | |
| Tax and customs duties | | |
| Financial | | |
| Exchange rate volatility | | |
| Other financial opportunities and risks | | |

>€10 million <€100 million^b

 ≥€100 million <€500 million

 ≥€500 million <€1,000 million

 ≥€1,000 million <€1,500 million

^a Using a 95% confidence interval per risk factor based on planned values; summation is not permissible. For more information on operational opportunity and risk factors, see page 106 onward.

^b As of the business year 2025, material opportunities and risks >€10 million are reported.

Risk Management Process and Internal Control System

ESRS 2 GOV-5

The BASF Group's risk management process is based on the international risk management standard COSO II Enterprise Risk Management – Integrated Framework. It comprises the risk management system, the internal control system and compliance management and has the following key features:

Organization and responsibilities

- Risk management and the internal control system are the responsibility of the Board of Executive Directors. The Board defines the fundamental policies and processes as well as the organization of the risk management system. It also defines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the Corporate Center. The Corporate Center units Corporate Finance, which reports to the Chief Financial Officer, and Corporate Development, which reports to the Chairman of the Board of Executive Directors, and the head of our Legal and Compliance organization (Chief Compliance Officer, CCO) coordinate the risk management process at Group level. This involves examining economic and sustainability-related opportunities and risks and

providing structures as well as appropriate methodologies. 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 operating divisions, the Corporate Center and service and research units, and is steered at a decentralized level. As part of the "Winning Ways" strategy, the management of opportunities and risks at regional level was restructured in 2025 and, except for a few remaining country organizations, integrated into the divisions. This also applies to sustainability-related topics relevant to BASF in accordance with the ESRS, such as the impact of climate change on BASF. A network of risk managers in the operating divisions, in the Corporate Center and service and research units drives the implementation of suitable risk management practices in day-to-day operations. Selected financial risks are managed centrally: Liquidity, currency and interest rate risks are handled by Corporate Finance; commodity price risks are managed by Global Procurement or other authorized units.
- In order to ensure the efficacy of risk management in the operating divisions as well as in the Corporate Center and the service and research units, Corporate Finance performs integrated checks within risk reporting and also regularly reviews compliance with internal risk management guidelines. 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, including information about risk management measures and the corresponding residual net risks. Furthermore, any arising individual risks with a probability of occurrence of at least 10% that have an impact of more than €10 million on earnings or any risks qualitatively evaluated to have a material impact on our sustainability targets as well as on our reputation must be internally reported immediately to the responsible member of the Board of Executive Directors. The Supervisory Board is informed annually about short-term operational opportunities and risks. Once each year, the Audit Committee also addresses the internal control system and risk management system as well as their further development.
- As part of strategy development, the Corporate Development unit conducts strategic opportunity/risk analyses with a five-year medium-term assessment period. These analyses are annually reviewed as part of strategic controlling and are adapted if necessary. In addition, scenarios are created to simulate potential impacts from a long-term perspective, including in the context of climate policy developments beyond the five-year period. The Board of Executive Directors and Supervisory Board are informed annually about strategic opportunities and risks.
- We also regularly consider exceptional situations that can have a fundamental impact on the BASF Group – from process safety incidents and goods spillages to pandemics and cyberattacks. In addition, we have established a crisis management organization that proactively draws up crisis plans where necessary and appropriate and which is activated in the event of a sudden crisis (for more information, please see page [248](#) onward).

- BASF's CCO manages the implementation of our Compliance Management System, supported by compliance officers worldwide. At the beginning of each financial year, the CCO reports to the Board of Executive Directors on implementation status and significant outcomes. In addition, twice a year the head of the Corporate Compliance unit reports to the Audit Committee of the Supervisory Board on the main developments in the area of compliance. The Board of Executive Directors immediately informs the Audit Committee about significant incidents (for more information on compliance, see page [288](#) onward).

Organization of the BASF Group's risk management



^a The Corporate Audit unit is part of the Corporate Center.

^b Head of the Corporate Legal, Compliance & Insurance unit

- 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 and control systems in other subject areas have a lower degree of formalization. As a rule, however, they also include organizational security precautions such as compliance with the basic principles of transparency, dual control, segregation of duties and least privilege, deployment of sufficiently qualified employees and adequate IT systems. The design of internal controls depends on the subject area. It ranges from monitoring the development of specific key indicators and evaluating internal and external reports or benchmarking analyses to formalized committee meetings in which decisions are made on applications for investments or research projects, for example. In addition, the appropriateness and effectiveness of the topic-specific internal control systems are monitored by the Corporate Center units responsible for the respective topics. To this end, the individual Corporate Center units choose different approaches depending on the subject area, such as the evaluation of questionnaires for self-assessment of the effectiveness of the internal control system, sample tests to validate the implementation and effectiveness of internal controls or the monitoring of compliance-related key indicators.
- The Corporate Audit department is responsible for regularly auditing the effectiveness and appropriateness of the risk management system, internal control system and the compliance management system.

- In addition, the 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 (AktG) is assessed and evaluated by the statutory 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 Corporate Center and the service and research units in relation to the specific business conditions.
- A register of opportunity and risk categories helps identify all relevant economic and sustainability-related opportunities and risks relating to our targets as comprehensively as possible. We derive the sustainability-related opportunities and risks from the double materiality assessment, in accordance with ESRS requirements.
- 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, are assessed in a materiality assessment. 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. Relevant sustainability topics are systematically considered in our strategic and operational risk management on the basis of our integrated risk catalog. The results are presented in the respective chapters (for more information, see page [163](#) onward).
- 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-emission economy (transition risks) as well as climate-related physical risks as defined by the Task Force on Climate-related Financial Disclosures (TCFD), among others, were added to this register.
- Because global climate policy ambitions and the implementation of the relevant measures play a decisive role in the future 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. The scenarios are regularly adapted in response to current macroeconomic and geopolitical developments. A dataset of scenario-specific macroeconomic parameters is provided to test the economic feasibility of investments and business strategies.
- We use the results of the double materiality assessment to document reportable sustainability risks within the meaning of section 289b et seq. of the German Commercial Code. This indicated that there were no reportable residual net risks within the meaning of section 289b et seq. of the German Commercial Code for 2025 (for more information, see page [147](#) 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 at an early stage. We base our sensitivities to oil and gas prices and currency developments on forward-looking assumptions in order to reflect specific market expectations and improve the quality of our forecasts. We also aggregate qualitatively assessed risks at Group level using an established risk portfolio.
- Our Group-wide Compliance Program is designed 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, see page [288](#) 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 and the internal control system are not adequate or effective in all material respects.>

Significant Features of the Internal Control and Risk Management System with Regard to the Group Financial Reporting Process

The Combined 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 individual 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. On the one hand, this regulates how the International Financial Reporting Standards (IFRS®) applicable in the European Union are to be applied at BASF. On the other hand, it determines the key processes and deadlines throughout 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 ("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. These are based on the international standard COSO I Internal Controls – Integrated Framework, which forms an integral part of 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 the monitoring of these processes in the selected companies comprise 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 for financial reporting 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 were effective.

– **Monitoring of control weaknesses**

The responsible management receives 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 remedied 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

Opportunities and risks arise from the development of our sales markets. 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 2026 from page [81](#) onward.

We also consider opportunities and risks caused by developments that deviate from assumptions. Macroeconomic opportunities arise from an easing of geopolitical conflicts and the resulting increase in the supply of energy, industrial raw materials and other intermediate goods.

Increases in energy prices caused, for example, by the war in Ukraine and the situation in the Middle East, and the higher inflation rates resulting from this for manufacturer and consumer prices pose a risk to the economy. Additional macroeconomic risks result from the escalation of geopolitical conflicts and a further intensification of global trade conflicts, especially between the United States and its trading partners. We constantly monitor these risks and mitigate them as much as possible through our diversified customer and product portfolio and our principle of producing close to our customers and mainly procuring raw materials and intermediate input in the relevant region.

Weather-related influences can result in positive or negative effects on our business, particularly in the Agricultural Solutions segment.

In view of the expected delay in market recovery, the identified market growth opportunities are increasingly taken into account.

Margins

The greatest opportunities and risks for the BASF Group primarily result from higher or lower margins in all segments, particularly the Chemicals segment. Continuing pressure on margins for a number of products and value chains may lead to further declining margins. Additional shortages of raw materials could have both a negative and positive impact on margins. This would have a corresponding effect on our EBITDA. We counter margin risks with ongoing cost and price management as well as process optimization.

The year's average oil price for Brent crude was \$69 per barrel in 2025, compared with \$81 per barrel in the previous year. For 2026, we anticipate an average oil price of \$65 per barrel.

Compared with the previous year, we see lower margin risks.

Competition

We continuously enhance our products and solutions in order to remain competitive. The market entry of new competitors and increased price pressure may lead to lower margins and volumes, particularly in the Agricultural Solutions and Industrial Solutions segments. We counter these risks through our margin management and other measures, such as the targeted promotion of innovations, for example in the area of sustainability.

Possible supply problems and the withdrawal of some competitors due to the current difficult market environment may give rise to opportunities that we can use to our advantage.

Compared with the previous year, we see greater opportunities for competitiveness.

Regulation/policy

Risks for us can arise from intensified geopolitical tensions, new trade sanctions, a lack of global coordination for stricter emission limits for production plants and stricter energy and chemicals legislation as well as a lack of social acceptance of new technologies, particularly in the EU. Furthermore, risks can also arise from regulatory delays in the expansion of capacities and infrastructure for electricity from renewable sources, the necessary CO₂ infrastructure and delayed product approvals.

However, regulatory measures and societal expectations can also give rise to opportunities. For example, we view initiatives 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 (for more information, see page [147](#) onward).

Procurement and supply chain

Operational risks in procurement are a key topic for BASF, as they can impact the company's supply capability and therefore its competitiveness. Operational risks in procurement include disruptions and delays in the delivery of raw materials due to supplier insolvencies, quality concerns, extreme weather or geopolitical events, for example. To counter these risks, BASF relies on comprehensive risk assessment and control along the entire supply chain, global diversification and close cooperation with suppliers (for more information, see page [264](#) onward).

Compared with the previous year, we see lower risks in the supply chain.

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. Crisis management teams at country level 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 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 change in risk associated with climate change. For example, due to an increase in heat waves, we have implemented several measures at the Verbund sites in Ludwigshafen, Germany, and Geismar 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.

In view of current idle capacity, additional opportunities may arise, for example through greater flexibility for maintenance and lower impact from possible production disruptions.

Compared to the previous year, we foresee greater opportunities from investments/production.

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 influence 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 risks at an early stage and take suitable measures (for more information, see pages [96](#) and [248](#) onward).

Information technology

BASF employs a large number of modern IT systems. Technologies such as artificial intelligence (AI), big data and the Internet of Things (IoT) help us to develop new business models, corporate concepts and strategies and to respond flexibly to changing customer behavior. The global cyber security team protects these systems, as well as the data and business processes they handle.

The requirements for IT security are constantly increasing in a networked and dynamic world. Attackers are much better organized, use more sophisticated techniques and have more resources at their disposal.

A cyber attack can negatively affect asset reliability, 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 liability claims against BASF or jeopardize our competitive position. In addition, there is a risk of financial losses as well as reputational damage with customers and partners regarding the security of our products and services.

To minimize such risks, BASF relies on globally uniform processes and systems to ensure IT availability and IT security. These are based on the ISO 27001 standard and include redundantly designed IT systems, backup processes, virus and access protection, encryption technologies and standardized IT infrastructures and processes. These systems are continuously reviewed, updated and adjusted as necessary. In addition, BASF has a dedicated cyber defense unit with appropriate expertise. Our employees receive regular training on information and data protection. Cybersecurity risk management is based on clearly defined organizational rules and an internal control system. The Board of Executive Directors and the Supervisory Board receive regular reports on cyber risks and the implementation status of strategic cybersecurity measures.

Our protection concepts include the detection of attacks, appropriate response and defense, as well as minimizing effects. We also maintain strong partnerships with security authorities and associations in the field of cybersecurity, for example with the German Cyber Security Organization (DCSO) and the Cyber Security Sharing and Analytics (CSSA) platform in Berlin, Germany. In addition, BASF has its own information security management system, which is certified according to ISO/IEC 27001:2017.

Cybersecurity risks have been identified for the 2026 business year, but not quantified. Quantified opportunities and risks arose in connection with the BASF Group's ERP transformation projects.

Compliance/legal

We constantly monitor current and potential legal disputes and proceedings, and regularly report on these to the Board of Executive Directors and the 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 to the BASF Group's EBITDA as part of general risk management (for more information, see page [388](#) onward).

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.

Tax and customs duties

The recognized opportunities and risks only concern taxes, customs duties and other levies that impact the BASF Group's EBITDA in the short term. These arise when BASF has taken a position that differs from the opinion of a competent administrative authority. If a payment has already been made and could be reclaimed, we present this as an opportunity. Conversely, if 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 EBITDA-relevant risks for the BASF Group.

Compared with the previous year, we foresee higher customs-related risks.

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. On the production side, we counter exchange rate risks by producing in the respective currency zones.

The current assessment of the U.S. dollar suggests greater opportunities and lower risks compared to the previous year.

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. If necessary, we hedge these risks using derivative instruments.

Other financial opportunities and risks

Financial risks arise from unplanned cost increases, for example due to higher inflation than assumed. Additional financial risks are related to efficiency measures that may not be effective as planned. Other financial risks, including commodity price risks, particularly relating to raw materials such as naphtha, benzene, natural gas, LPG condensate as well as precious metals and battery metals, are hedged as needed using derivative instruments. There are no significant default risks that have not already been recognized in the financial statements. For more information, see Note 25 to the Consolidated Financial Statements from page [393](#) onward.

In connection with the war in Ukraine, additional financial risks may arise from potential asset impairments or losses.

Strategic Opportunities and Risks

Long-term demand development

We assume that growth in chemical production (excluding pharmaceuticals) will be roughly keep pace with gross domestic product in the coming years. Should global economic growth see unexpected, considerable deceleration, for example, because of an ongoing weak period in individual emerging markets, increasingly protectionist tendencies or bottlenecks in the energy markets, the expected growth rates could prove too ambitious.

Additional risks arise from geopolitical tensions and military conflicts, which could impact supply chains and reduce efficiency in the international allocation of resources. Moreover, the ambitions of global climate policy and its implementation will significantly impact demand from our customer industries. This is shown by a comparison of climate policy scenarios that envisage limiting global warming to below two degrees Celsius with alternative scenarios that assume more warming. In ambitious climate policy scenarios, 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 and macroeconomic growth rates may be lower.

Market opportunities in ambitious climate policy scenarios include, for example, feedstocks that make plastics easier to recycle, 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. This requires further decarbonization of production processes and alternative raw materials, as well as a corresponding willingness to pay on the part of customer industries, in order to remain competitive (for more information on the corporate strategy, see page [15](#) onward).

Development of competitive and customer landscape

We expect competitors from Asia, North America and the Middle East in particular will also gain increasing significance in the years ahead as a result of advantageous raw materials and energy prices and trade policy measures. Furthermore, we predict that many producers in countries rich in raw materials will expand their value chains in specialty chemicals. In addition, the proliferation of large-scale digital marketplaces for chemicals could impact existing customer and supplier relationships.

In the medium to long term, we expect increasing demand from our customers for more sustainable solutions, such as products with a lower carbon footprint and solutions for the circular economy. These products can be made from recycled or renewable raw materials, for example, or have other measurable sustainability benefits. However, an increase in customer demand for more sustainable solutions is also highly dependent on regulation that leads to a growing willingness to pay for low-emission and recyclable products. Companies with a proven track record of providing more sustainable solutions will then be able to achieve stronger growth and higher profitability. We are therefore addressing these topics in research and investment programs for the sustainable transformation of BASF.

To strengthen our competitiveness, we have initiated cost savings programs, we are continuously improving our production processes, streamlining our structures, simplifying procedures and optimizing our business portfolio. In this regard, our focus is on attractive businesses and differentiation through sustainability advantages, among other things, to make our customers and BASF more successful.

Regulation, policy and society

We expect continued regulatory and societal pressure to achieve emission-free energy use, a climate-neutral resource and raw material base, and far-reaching environmental targets. This also includes regulations relating to environmental protection, water, biodiversity and the circular economy, which are outlined in the E2 Pollution Prevention, E3 Water, E4 Biodiversity and Ecosystems, E5 Resource Use and Circular Economy and S3 Affected Communities chapters in this report (more on this from page 199 onward). Political solutions and their social acceptance for them will vary from region to region. However, particularly in Europe, we expect measures with a continuously high level of detailed and complex 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 those of our customers. Another overarching risk is that political decision-makers may not act quickly and decisively enough to create the necessary framework conditions for a competitive location for industry.

We see the risk of the current geopolitical shifts potentially 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 climate, environmental, social and corporate governance criteria. In addition, we observe a tendency towards increasing state interventionism and protectionism. Such measures can distort competitive conditions and pose risks to global value chains or security of supply. At the same time, the efforts of states to strengthen their own ability to act and achieve greater independence from global interdependencies can also give rise to opportunities. We see risks but also opportunities in the setting of international standards for specific product categories or technologies.

In the event of negative impacts from our production or products along our value chains, societal acceptance of our business activities could suffer in the short to long term, trust in BASF could decline, and the risk of litigation could increase.

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 a national and international level. BASF is in a position to make significant contributions toward achieving the U.N. Sustainable Development Goals, particularly regarding climate neutrality, through new technologies, innovative products and processes and a broad product portfolio.

Innovations

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 more sustainable innovations. The key areas are products with a lower or even net-zero carbon footprint, circular economy solutions, and safe and more 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 have integrated our TripleS methodology into our research and development processes.

There are technical and commercial risks associated with every single research and development project. We 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 demands for localization of intellectual property in order to achieve technological independence. Through our global Know-How Verbund in research and development, we ensure that intellectual property is generated and protected in countries with high intellectual property standards. We expect that the digital disruption of established processes through the use of artificial intelligence, among other things, will lead to a considerable increase in efficiency and effectiveness in some fields. BASF is 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, see page [41](#) onward).

Procurement and supply chain

Strategic risks in procurement are of great importance to BASF, as they can impact the company's long-term competitiveness and positioning. Strategic risks include structural changes on the global markets, climate change and political developments. Supply security for raw materials, energy and services is increasingly affected by trade disputes, protectionism, sanctions and geopolitical conflicts. To counter these risks, BASF relies on comprehensive risk assessment, a diversified supplier base, close cooperation with various strategic suppliers, including in the area of reducing Scope 3 emissions, and continuous analysis of markets and trends.

We are also seeing an expansion of the regulatory framework affecting us and our suppliers (for example, the German Supply Chain Due Diligence Act, the EU Corporate Sustainability Due Diligence Directive and the EU Regulation on Deforestation-Free Products or the Regulation Establishing a Carbon Border Adjustment Mechanism (CBAM)). Potential noncompliance by our suppliers may lead to a reduced supplier base. All risks are continuously analyzed and appropriate strategies and measures developed to avert risks or minimize their impact on BASF (for more information see page [264](#) onward). We integrate sustainability and compliance criteria into the procurement strategy in order to minimize regulatory risks.

Investments

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 focusing our investments more closely on growth markets and 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, switching our production to renewable energy sources and harnessing potential energy savings represent a long-term opportunity, even though they may not yet be profitable in the short term, depending on the market and the prevailing regulatory framework (for more on our investment projects, see page [88](#)). The transformation of our company toward low-emission chemistry is presented in detail in the E1 Climate Change chapter.

Acquisitions/divestitures

Our aim is to strengthen our portfolio through value-enhancing acquisitions, among other things, and to realize the value of the standalone businesses. In doing so, we focus on high-growth markets.

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. Opportunities could also arise, for example, from additional synergies. We are also continuing to develop our portfolio through carve-outs and divestitures. 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, see page [36](#)).

Personnel

The current economic situation and any resulting structural adjustments at BASF can lead to uncertainty among employees. This poses challenges for the company, for example in terms of maintaining employee commitment. Any supposed decline in the attractiveness of BASF as an employer can make it more difficult to recruit appropriately qualified specialists and managers in global competition. Demographic and technological change, as well as changing competence profiles can also lead to a loss of skills and knowledge in key roles within our workforce or affect our ability to adequately and quickly develop them.

We promote excellent leadership through targeted development opportunities for leaders at all levels. Leaders can positively influence the commitment of their employees and, together with their teams, contribute productively and efficiently to the implementation of our strategic corporate targets.

Further information on how to handle opportunities and risks can also be found in chapter S1 Own Workforce of the company in this report (more on this from page [248](#) onward).

Climate

As BASF is an energy-intensive company, climate-related risks arise in a physical sense and from regulatory changes, such as in CO₂ 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, investors and skilled workers. We counter these risks with our carbon management measures and by transparently disclosing our positions on climate protection and 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 political decision-makers and external stakeholders (for more information, see page [97](#)).

In order to ensure a well-founded assessment of the changing physical risks of climate change for our sites, BASF conducts comprehensive analyses based on climatic data and modeling from an external partner. The underlying climate scenarios are based on the latest estimates of the Intergovernmental Panel on Climate Change (IPCC). The description of the methodology and the results of these analyses can be found in chapter E1 Climate Change of this report (more on this from page [172](#) onward).

Alongside climate-related risks, opportunities also arise for our more sustainable products for climate protection. Our broad product portfolio includes, among other things, solutions for the circular economy and climate protection, such as insulation materials for buildings, materials for electromobility and renewable products. Increased societal demands and the resulting regulations offer additional market opportunities for these products. We are working with numerous scientific and public organizations and initiatives on further solutions for more sustainable agriculture that meet economic, environmental and social demands over the long term (for more information, see page [147](#) onward).

» For more information on our positions on and contributions to climate protection, see basf.com/climate_protection