

Strategy

■ Our Strategy

Chemistry is our passion. We set a new direction for ourselves with the introduction of the “Winning Ways” strategy in September 2024: Our ambition is to be the preferred chemical company to enable our customers’ green transformation. We aim to grow profitably and create value for our shareholders with our broad portfolio of chemicals businesses as well as our product and process innovations. Simultaneously, we are driving the shift toward a performance culture – a decisive factor to successfully implement our “Winning Ways” strategy. We are systematically integrating sustainability topics into our strategy and business as well as into our assessment, steering and compensation systems. This principle remains embedded in our corporate purpose: We create chemistry for a sustainable future.

Humankind is facing enormous challenges in its efforts to preserve a world worth living in for future generations. The climate is changing, natural resources are becoming scarcer, pressure on ecosystems is increasing and our growing world population needs to be fed. More and more urgently than ever, solutions are needed for a more sustainable future. Chemistry is of key importance as an essential part of our everyday lives and the foundation of nearly all industries. It can pave the way to greater sustainability and accelerate the transformation needed to achieve this.

Competitive conditions in the chemical industry are changing. Our customers are also adapting their business models – to increasingly reflect a world with lower CO₂ emissions and a more circular economy. The speed of this green transformation varies across regions and customer industries. We expect demand for chemical products with sustainability attributes to surpass supply in the medium term, which in turn will lead to greater willingness to pay for low-emission solutions. Because our customers are at the center of everything we do, our ambition goes beyond the green transformation of our own production. We want to be the preferred chemical company to enable our customers’ green transformation.

This is also where we see the main driver of our profitable growth: Our goal is for customers to be successful in their respective markets thanks to our innovations. Our products, solutions and technologies help protect the environment and climate by contributing to the more efficient use of raw materials, reducing waste, and enabling healthy and affordable food as well as climate-smart mobility. In providing our customers with the best solutions and processes, we also want to grow profitably and create shareholder value. Simultaneously, we are driving the change of our corporate culture toward a performance culture. We have defined four levers to ensure the successful implementation of our “Winning Ways” strategy: **Focus, Accelerate, Transform and Win.**

As part of its new strategy, BASF has updated its shareholder distribution policy and set medium-term financial targets for the first time. We remain committed to our climate protection targets and other global sustainability-related targets, including the alignment with our TripleS (Sustainable Solution Steering) portfolio assessment methodology. We have defined a new circular economy target and we have adjusted our supplier target and are now focusing on improving the sustainability performance of those suppliers whose audit results were inadequate.

In the future, BASF will place a greater focus on cash generation. We aim to demonstrate a high degree of capital discipline through considerably lower capital expenditures and the consistent implementation of our cost savings programs.

As an international chemical company, we will continue to operate in markets and countries with different requirements and conditions. We are guided by our values and our global standards in order to act responsibly and secure our license to operate. The main guidelines are summarized primarily in our BASF policies on compliance, human rights, labor and social standards and in the Supplier Code of Conduct. With appropriate management and monitoring systems, we want to ensure that we act in line with the applicable laws and uphold our responsibility to the environment and society. Customers, shareholders, partners and employees can rely not only on the high quality of our products, but also on the way in which we conduct business to fulfill our corporate purpose: We create chemistry for a sustainable future.

With our CORE values, we combine economic success with the creation of value for the environment and society and stand for respectful interaction with each other and with our customers and partners:

C – creative: We make great products and solutions for our customers. This is why we embrace bold ideas and give them space to grow. We act with optimism and inspire one another.

O – open: We value diversity, in people, opinions and experience. This is why we foster feedback based on honesty, respect and mutual trust. We learn from setbacks.

R – responsible: We value the health and safety of people above all else. We make sustainability part of every decision. We are committed to strict compliance and environmental standards.

E – entrepreneurial: We focus on our customers, as individuals and as a company. We seize opportunities and think ahead. We take ownership and embrace personal accountability.

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

- The Universal Declaration of Human Rights of the United Nations (U.N.) and the two U.N. Human Rights Covenants
- The Ten Principles of the U.N. Global Compact
- The core labor standards of the International Labour Organization (ILO) and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- The OECD Guidelines for Multinational Enterprises
- The Responsible Care® Global Charter of the International Council of Chemical Associations
- The German Corporate Governance Code



■ Our Strategic Levers

BASF's strategic direction is based on a comprehensive analysis of our markets, competitors and the economic environment. We continuously monitor global trends and short-term developments and anticipate the resulting opportunities and risks. In doing so, we keep a close eye on the demands of our customers and the transformation of our company.

Our new “Winning Ways” strategy is based on four strategic levers: Focus, Accelerate, Transform and Win.

Focus

Under the Focus lever, we have redefined our portfolio management approach. BASF now makes a distinction between core businesses and standalone businesses, which serve specific industries and operate independently. The core businesses comprise the Chemicals, Materials, Industrial Solutions and Nutrition & Care segments, which are integrated into BASF's value chains and Production Verbund at major sites. They generate value through efficient use of resources, operational excellence and cost efficiency. The portfolio of our core businesses ranges from basic chemicals to specialties. The standalone businesses, which have greater flexibility and operational independence, comprise the Surface Technologies segment with the Environmental Catalyst and Metal Solutions (ECMS), Battery Materials and Coatings divisions as well as the Agricultural Solutions segment.

In the coming years, we will focus on strengthening our core businesses and growing profitably in these areas – both organically as well as through value-increasing acquisitions: We see the expected consolidation of the chemicals industry as an opportunity for BASF. We want to operate our core businesses in an even more cost-efficient and leaner manner in order to secure their profitability and competitive advantage over emerging competitors, in particular from the Middle East and China.

Our standalone businesses ECMS, Battery Materials, Coatings and Agricultural Solutions compete with pure-play peers that are subject to their own market trends. To empower these businesses to respond quickly to the specific requirements of their customers, we want to further promote their entrepreneurial freedom and thus strengthen their competitive position. To that end, we are pursuing a Differentiated Steering concept with industry-specific financial steering indicators, adjusted governance structures, tailor-made processes and standalone ERP (enterprise resource planning) systems. These measures increase the businesses' accountability and the transparency of their performance compared with competitors. We intend to make further investments in our standalone businesses in the future and will continue to actively pursue portfolio options:

- Our **ECMS business** was carved out in 2023. It operates in a low-growth industry but continues to deliver a strong cash contribution. We are open to a value-increasing transaction in the future.
- Our **Battery Materials** business operates in a rapid-growth environment characterized by high market and technology risks. We are de-risking the path forward by focusing on filling existing capacities and adapting our expansion plans. We are exploring opportunities for collaboration with partners.
- For our **Coatings** division, we are assessing strategic options for value creation. In February 2025, we signed an agreement to sell our decorative paints business in Brazil.
- For the **Agricultural Solutions** segment, we will complete the legal separation and the introduction of a separate ERP system by 2027. By then, we also want to create the conditions for a potential IPO. In the medium term, a minority share listing is an option.

To focus more strongly on cash generation and strengthen our capital discipline, we are changing our internal steering processes for capital and resource allocation. We are moving from a largely project-based approach at BASF Group level to a strategic allocation approach for our divisions. **We have developed medium-term value creation plans for the divisions based on their respective roles in the BASF portfolio. These plans are the basis for capital allocation. Within this framework, the divisions are empowered with increased autonomy to make business decisions** – and with it their accountability for business success.

The strategic focus on profitable growth also means prioritizing high-growth markets. In particular, we want to expand our

presence in China, India and five ASEAN countries (Indonesia, Malaysia, Singapore, Thailand and Vietnam) by strengthening local organizational structures, our production sites and our R&D activities. These seven countries will account for almost 80% of global chemical growth by 2035.

Accelerate

With the Accelerate lever, BASF is targeting more speed in value creation. We will streamline the way in which we collaborate and complete tasks at BASF and become faster as a result. To this end, we want to empower our business units through lean and differentiated steering, simplify our organizational structure and increase the use of artificial intelligence (AI).

The accountability of the divisions will be a central element of the BASF Group's steering. The Board of Executive Directors will focus on topics that are important to BASF as a whole: strategy, portfolio management, capital allocation and talent development. By contrast, individual divisions will have greater ownership of specific business decisions and accountability for business success. In line with this, we will further develop the performance management system for our leaders and employees and establish a closer link between incentives and unit-specific performance.

We are making our organization simpler and leaner by sharpening role clarity, establishing flatter hierarchies and by reducing bureaucracy and internal alignment processes. Spans of control will be broadened to increase individual ownership. An important step in this direction is dissolving the regional dimension of our organizational structure. With this simplified organizational setup, we are aiming to accelerate decision-making in all areas of our company.

BASF wants to harness the potential of AI to advance productivity and accelerate innovations. We aim to gradually enable the global BASF team to utilize AI for their respective areas of work. Here, we target key functions such as sales, marketing, R&D, production, procurement and services and focus on applications with added value confirmed by fast and effective pilot projects.

Transform

The Transform lever represents shaping and successively implementing our market-oriented green transformation toward a more sustainable product portfolio. Going forward, we will intensify our focus on products with sustainability attributes where we see increasing customer demand.

We see sustainability as an integral part of our strategy as well as our targets, steering processes and business models. We remain fully committed to our climate protection targets. Our ambition goes beyond the green transformation of our own production: Our key customer industries are facing tremendous challenges in achieving their transformation targets. We therefore want to be the preferred chemical company to enable our customers' green transformation with our broad portfolio as well as our product and process innovations.

As market developments and therefore also the speed of the green transformation vary between regions and customer industries, we are adapting our transformation approach: Rather than focusing primarily on our own corporate targets, we will prioritize a market-oriented approach in the future. By driving transformation in a more differentiated and focused way as well as in line with market growth and increasing customer demand, we are forging a new path toward profitable growth. With our market-oriented concept, we are simultaneously mitigating the investment and business risks resulting from capital-intensive new technologies and the varying transformation speed of our customer industries. We want to intensify our focus on specific opportunities for our business and increase volumes of products with sustainable attributes according to customer needs. To that end, we are prioritizing projects where we see customer demand growing or that impact our license to operate.

Over time, we will stagger further transformation projects based on these priorities. We have already procured significant amounts of renewable energy to operate our plants. Furthermore, we are currently piloting new technologies in selected value chains, using alternative raw materials and have launched products with new sustainable attributes such as a reduced or net-zero product carbon footprint (Low/Zero Product Carbon Footprint; LowPCF/ZeroPCF). In the next phase, we will focus on ramping up the use of bio-based and recycled feedstocks in our existing plants and thus offering more products with a reduced carbon footprint and other sustainable attributes at low capital expenditure. At the same time, we will continue evaluating new business models and technologies. As markets for sustainable products grow, we want to be in a position in the medium to long term to apply and scale up the new technologies we are currently developing and in some cases already piloting. The gradual approach is also reflected in spending: Transformation-related spending is expected to be moderate from 2025 to 2028, averaging €600 million per year. We assume that most major capital expenditures for our green transformation will be made after 2030.

BASF's integrated Verbund system offers fundamental advantages for the transformation approach of prioritizing projects based on customer demand and gradually driving them forward. This is due to the energy and resource efficiency provided by the Verbund and the numerous entry points that offer feedstock flexibility. We can be flexible and scalable in how we employ renewable and recycled feedstocks in existing plants. We therefore expect that our largest site in Ludwigshafen, Germany, with its integrated Verbund, as well as BASF as a whole, will benefit from the change and growth momentum in connection with the green transformation. In the medium to long term, our goal is to successfully develop Ludwigshafen into a leading, sustainable chemical site for Europe with an improved competitive position in the European market. To that end, we have conducted a thorough analysis of our production asset structure based on current and future market and customer demand: Selected plants and production lines are no longer delivering sufficient earnings or are at risk of losing competitiveness. However, the majority of the assets in the Ludwigshafen Verbund are competitive in their respective markets.

Win

The Win lever is how we want to drive change in corporate culture throughout the entire company. Our "Winning Culture" is based on three cultural topics – Accountability (Own it!), Speed (Drive it!) and Improvement Mindset (Excel in it!) – that are central to BASF evolving into an even more performance-driven organization. This transformation to a "Winning Culture" is a decisive factor for us in successfully implementing our "Winning Ways" strategy.

To this end, we have developed nine actionable Winning Behaviors: They define the behavior that we expect all our employees to demonstrate and show in a concrete way how each and every individual can contribute to successful change. We want to drive a corporate culture that honors accountability, prioritizes speed over perfection and rewards the best solution over compromises.

Accountability:

- We give and take ownership over narrow supervision.
- We strive for results, not staying in the comfort zone.
- We take action on low performance, not dragging it along.

Speed:

- We prioritize speed over perfection.
- We spread motivation and inspiration, not skepticism.
- We focus, not do a bit of everything.

Improvement Mindset:

- We fight for the best solution over compromises.
- We give candid and constructive feedback, not empty phrases.
- We learn from external perspectives, not just from internal views.

Our CORE corporate values (creative, open, responsible, entrepreneurial) will remain the guide for our behavior.

Further developing our corporate culture goes hand in hand with an enhanced performance management system for leaders and employees with a closer link between incentives and unit-specific achievements.

■ Targets and Target Achievement

For us, long-term business success means creating economic, ecological and social value, which is why we pursue ambitious targets along the entire value chain. We report transparently on target achievement so that our stakeholders can track our progress.

Our objective is profitable growth – we have set new financial targets as part of our corporate strategy and adjusted our dividend policy. In the 2028 business year, we want EBITDA before special items to reach a value between €10 billion and €12 billion in moderate to good economic conditions. The cumulative free cash flow for 2025 to 2028 is expected to be more than €12 billion. For the return on capital employed (ROCE), we endeavor to achieve a figure of around 10% in 2028. In the 2024 business year, EBITDA before special items was €7.9 billion, free cash flow was €0.7 billion and ROCE was 5.1%.

In the medium term, we want to keep the overall distribution to shareholders at least at prior-year levels through a combination of dividends and share buybacks and will pay out a minimum of €12 billion to our shareholders between 2025 and 2028. Specifically, we want to pay out a dividend of at least €2.25 per share or around €2 billion per year. This policy already applied to the dividend for the 2024 business year, which will be paid out in 2025. A dividend of €2.25 per share has been adopted in the Annual Shareholders' Meeting for 2024.

We have also set ourselves comprehensive targets in the area of sustainability. By 2030, we want to reduce our CO₂ emissions from production (Scope 1) and energy purchases (Scope 2)¹ by 25% compared with 2018 (2018: 21.9 million metric tons, 2030 target: 16.4 million metric tons). In the 2024 business year, this figure was 17.0 million metric tons of CO₂ equivalents (2023: 17.0 million metric tons²). By 2030, we want to reduce the specific CO₂ emissions from the purchase of our raw materials (Scope 3.1)³ by 15% compared with 2022 (2022: 1.64 kilograms of CO₂ per kilogram of raw materials purchased, 2030 target: 1.39 kilograms). Our specific Scope 3.1 emissions in 2024 amounted to 1.58 kilograms of CO₂ per kilogram of raw materials purchased (2023: 1.67 kilograms⁴). By 2050, we endeavor to reach net-zero greenhouse gas emissions (Scope 1, 2 and 3.1).



¹ Scope 1 and Scope 2 (excluding the sale of energy to third parties). The target includes greenhouse gas emissions according to the Greenhouse Gas Protocol that are converted into CO₂ equivalents (CO₂e). The base year is 2018.

² The figure for 2023 has been adjusted due to updated data.

³ Scope 3.1, raw materials excluding battery materials, services and technical goods, excluding greenhouse gas emissions from BASF trading business. Future adjustment of the baseline in line with the "Together for Sustainability" guideline (TfS) possible depending on the availability of further primary data. The base year is 2022. In the reporting year, we adjusted the baseline in line with the TfS guideline due to the availability of further primary data.

⁴ The figure for 2023 was adjusted due to increased data availability.

We are working to further increase sustainability in our supply chains. Our previous target was to have 80% of suppliers improve their sustainability performance upon reevaluation. Moving forward, we are concentrating on suppliers that generated inadequate results in evaluations. For the time frame up to 2030, we are working toward ensuring that, annually, 80% of suppliers who underwent a sustainability evaluation during the reporting period, and who had inadequate results in a prior comparable evaluation, improve their sustainability performance. In 2024, the figure was 76%. With the new target, we want to sharpen our focus on and gear our measures even more strongly toward suppliers with increased risk in terms of sustainability.

We intend to align our portfolio and the work of our research and development units even more closely with climate protection and the circular economy. For this purpose, we rely on the assessment of our product portfolio using the TripleS methodology (Sustainable Solution Steering). By 2030, we want to achieve more than 50% of BASF sales relevant for TripleS⁵ from Sustainable-Future Solutions – products that make a positive contribution to sustainability. In 2024, these products accounted for 46.3% of BASF sales (2023: 41.4%). We also introduced a new target for circular economy solutions, known as Loop Solutions, in 2024. By 2030, we want to achieve €10 billion in sales with these solutions. Sales with Loop Solutions stood at €5.7 billion in 2024.

We want to establish sustainable water management at all production sites in water stress areas⁶ and at our Verbund sites by 2030. In 2024, we reached a share of 65% (2023: 57%)⁷.

In production, we want to further improve safety and focus on reducing high-severity work-related accidents and process incidents. By 2030, we aim to achieve a rate of no more than 0.10 High Severity Process Safety Incidents (hsPSI) per 200,000 working hours. The global rate of hsPSI in 2024 was 0.03 (2023: 0.05 hsPSI). For the period up to 2030, we are also committed to a maximum rate of 0.05 High Severity Work Process Related Injuries (HSI) per 200,000 working hours. In the 2024 business year, this figure stood at 0.02 HSI (2023: 0.03 HSI).

Furthermore, we have set ourselves the target of increasing the proportion of women in leadership positions to 30% by 2030.⁸ The global proportion of women in positions with disciplinary responsibility was 29.3% in 2024 (2023: 28.4%). Furthermore, we would like to create a work environment in which more than 80% of our employees feel that they can thrive and perform at their best at BASF. In 2024, we reached a rate of 79% (2023: 79%).

With our “Winning Ways” strategy, we target profitable growth and value creation

Focus



Accelerate



Transform



Win



⁵ The definition of the relevant portfolio and further information can be found in the TripleS manual at basf.com/en/sustainable-solution-steering.

⁶ We define water stress areas as regions in which more than 40% of available water is used by industry, households and agriculture. Our definition is based on the Water Risk Atlas (Aqueduct 4.0) published by the World Resources Institute. For more information, see wri.org/aqueduct. Our water target also continues to take into account the sites that we identified as water stress sites in accordance with Pfister et al. (2009) prior to 2019, as well as water stress sites according to Aqueduct 3.0.

⁷ By including water stress sites according to Aqueduct 4.0, the number of sites required to implement sustainable water management increases. As a result, the implementation status for 2023 has decreased and been adjusted accordingly.

⁸ By doing so, we act in accordance with applicable local laws.