

April 29, 2022

Speech for the Annual Shareholders' Meeting 2022

Dr. Martin Brudermüller

Chairman of the Board of Executive Directors of BASF SE

The spoken word applies.

Dear shareholders,
dear BASF employees,
ladies and gentlemen,

Once again, we meet in very difficult times. There are some signs that the coronavirus pandemic will no longer have such an impact on our lives. But this does not yet mean a return to normality.

Now, we are faced with something worse than we ever imagined: There is war in Europe. The suffering of the people in Ukraine is unbearable. It is so incredibly distressing for us all. And it poses many critical questions and major challenges for us. This is also true for BASF.

Despite all this, I want to wish you a warm welcome to the Annual Shareholders' Meeting of BASF. I am talking to you today from our headquarters in Ludwigshafen. Unfortunately, virtually again.

We are all shaken by the war in Ukraine. The longer the war goes on, the more the humanitarian situation in Ukraine deteriorates. We are devastated by the images and news that reach us daily.

I would like to clearly state our position once more: We condemn the Russian government's war of aggression against Ukraine. It is absolutely unjustifiable. It violates international law and our values. We stand for freedom, democracy and respect for human rights.

And we are worried about the people of Ukraine, including our 220 BASF colleagues and their families. Their strength, their determination and their bravery are remarkable.

We want to help them. Our employees have donated more than €2.1 million. BASF is matching this amount. In addition, BASF has already provided €1 million in immediate aid. We are also donating materials to help uphold Ukraine's energy supply.

We have assembled crisis teams who are working tirelessly to support our employees. Safety is the top priority. We are not questioning our engagement in Ukraine.

Many of our BASF employees are helping refugees, especially our local BASF teams in countries neighboring Ukraine. They are offering a place to stay or assisting with onward travel.

I want to express sincere thanks to the entire BASF team for stepping up to help in such a big way.

I clearly stated our position and our values. These guide our actions during this time. Yet, like everyone, we must make difficult decisions, which some may view critically.

We base our conduct on compliance with the sanctions established by policymakers and the legal regulations.

Since March 3, we have not entered into any new business dealings in Russia or Belarus.

In light of the current developments in the war and in international law, including the fifth EU sanctions package, we decided this week to also wind down our remaining business activities in the two countries by the beginning of July 2022. Russia and Belarus account for approximately 1 percent of BASF's sales, so they play a minimal role in BASF's business. We have 684 employees in the two countries. We will support them until the end of the year.

We are making one exception: We will continue our business to support food production. But only after each individual case has been assessed.

Let me state clearly: Our aim is not to earn money. The reasoning behind this is that Ukraine and Russia are the "breadbaskets of the world." They are important grain exporters. This war could lead to famine, which would particularly affect Africa. We want to do our part to prevent this.

Ladies and gentlemen,

Indirectly, too, the war in Ukraine has a major impact on BASF.

It is challenging to lead a global company like BASF with balance and foresight during these times, while also further developing the company. But this is what you expect from your BASF and your Board of Executive Directors. At the moment, this is a balancing act. On the one hand, it is about taking a stance and unconditional support for the sanctions.

On the other hand, it is about our global responsibility for more than 110,000 employees and our contribution to sustaining the German and European economies. We need to recalibrate this balance every day. We do this conscientiously and with a sense of responsibility.

Germany is currently very dependent on Russian natural gas. Russia supplies around 50 percent of the natural gas consumed in Germany. Russian gas shipments therefore underpin the competitiveness of our industry. Also for BASF in Ludwigshafen. This is the reality. BASF does not procure gas or oil directly from Russia. We buy from Western European suppliers, but their portfolios also include natural gas from Russia. And this ratio is therefore similar at the BASF site in Ludwigshafen.

To put it plainly: There is no short-term solution to replace natural gas from Russia. But the political and economic priority must be to eliminate this dependency as quickly as possible. And we will use all options available to reduce our dependence on Russian gas at the Ludwigshafen site as swiftly as possible.

This cannot be done at the push of a button. If the natural gas supply from Russia were to suddenly stop, it would cause irreversible economic damage. In an extreme case, we would have to stop production in Ludwigshafen.

Policymakers have decision-making primacy. We share the German government's view. It has spoken out against a natural gas embargo. We believe this is the right approach.

And, finally, let me say a few words about Wintershall Dea. We continue to hold a majority stake in the company. Wintershall Dea is not subject to sanctions. The company's Board of Executive Directors has clearly stated that it will not pursue any additional gas or oil development projects in Russia. BASF sticks by its decision: With the merger of Wintershall and DEA, we decided to withdraw from the oil and gas business. We want to list the company on the stock exchange. Wintershall Dea has interests in production facilities in Russia. This makes an IPO difficult at this time.

Ladies and gentlemen,

The war in Ukraine is very much on our minds.

Nevertheless, it is my duty to tell you today about our achievements last year. Where we stand and what we plan for the future. I am confident that we will also overcome the current situation. Because we stick together as a team. Our solidarity is strongest in difficult times! We have seen this in previous crises.

Let me start with our financial figures.

2021 was a very good year for BASF. We achieved the goals we had set for ourselves. Despite the pandemic, rising energy and raw material prices and material shortages.

The key figures for the year 2021 are:

- Our sales amounted to €78.6 billion, up 33 percent versus the previous year. This was mainly attributable to higher prices and volumes in all segments.
- We achieved EBIT before special items of €7.8 billion, representing an increase of 118 percent compared with 2020.
- Our free cash flow increased by €1.4 billion last year to reach €3.7 billion.
- And we earned a premium on our cost of capital again.

In four of our six segments, we increased EBIT before special items. Unfortunately, we did not achieve this in Nutrition & Care and Agricultural Solutions. We were particularly successful in the Chemicals and Materials segments.

With volumes growth of 10.6 percent in 2021, BASF Group grew 4.5 percentage points above global chemical production.

This means our growth was stronger than it has been for a long time!

In terms of volume development in the regions, growth was strongest in Asia excluding Greater China, at 14.4 percent. In North America, sales volumes grew by 10.6 percent and in Europe by 10.1 percent. In Greater China, we increased volumes by 8.7 percent compared with a very strong prior year.

We continued to actively develop our portfolio in 2021:

- In June, we closed the sale of our global pigments business to the chemical company DIC.
- In August, we acquired a 51 percent stake in Shanshan, a supplier of lithium-ion battery materials in China. With BASF Shanshan Battery Materials, we have taken another important step to become a global producer of battery materials.
- In November, we sold our 49 percent stake in the company Solenis to Platinum Equity.

The current situation in Europe makes it especially clear how important a balanced regional structure is for risk management at a company like BASF.

Ladies and gentlemen,

We maintain our clear strategic direction, our strengthened customer focus and our cost discipline.

We are succeeding in this thanks to the good collaboration and solidarity within our global team. I therefore want to express my heartfelt gratitude to all BASF employees. Thanks to their drive and determination, we turned in a strong performance. We took advantage of our market opportunities. And capitalized on our strengths. You did an incredible job once again in 2021! On behalf of the entire Board of Executive Directors, I want to say:

Thank you very much!

And what does this result mean for your dividend, dear shareholders? The Board of Executive Directors and the Supervisory Board propose a dividend of €3.40 per share for the 2021 business year. Compared with the previous year, this represents an increase of 10 cents. It equates to a total payment of €3.1 billion. This is more than covered by our strong free cash flow of €3.7 billion generated in 2021.

Unfortunately, our share price definitely did not reflect the good business development last year. Therefore, we decided at the beginning of the year to buy back up to €3 billion in BASF shares by the end of 2023. We started this program on January 11, 2022. Until the end of February, the BASF share was outperforming the market. Following Russia's attack on Ukraine, share prices dropped significantly. Recently, the stock markets have been rattled in particular by the specter of embargoes or halted deliveries of oil and gas from Russia. The BASF share was especially affected by this.

Thus, there is significant uncertainty in the market. Nevertheless, we had a very good start to the year 2022:

- Sales rose by 19 percent to €23.1 billion in the first quarter of 2022.
- EBIT before special items of €2.8 billion was 21 percent higher than the level of the prior-year quarter. All segments, with the exception of Surface Technologies, contributed to this.
- Net income came in at €1.2 billion. It was significantly below the level of the prior-year quarter.

This was due to impairments of around €1.1 billion on assets of Wintershall Dea.

What do we expect for the current business year as a whole?

There is the possibility that the very high energy and raw material prices, especially in Europe, will act as a drag on the growth of the global economy, industry and chemical production.

It is also unclear how the pandemic situation in China and thus its economy will develop.

Yet, we are still experiencing strong demand in our markets. It is, however, impossible right now to provide a reliable forecast of future developments.

Therefore, we are currently sticking to our outlook for the 2022 business year. We anticipate:

- Sales of between €74 billion and €77 billion.
- EBIT before special items of between €6.6 billion and €7.2 billion.
- ROCE of between 11.4 percent and 12.6 percent.

Dear shareholders,

In these turbulent times, you will certainly have more questions than usual about our future – operational in the short term as well as strategic in the long term.

- How are we dealing with the high energy costs?
- And how are we preparing for a possible supply shortage of natural gas in Europe?
- What progress are we making on reducing our CO₂ emissions?
- How are we helping our customers become climate-neutral?
- And how do we want to grow profitably in the future?

The answers to these questions ultimately converge at the topic of climate protection. And this is a global topic for us.

We need to become independent of fossil energies. We must do everything we can to accelerate the expansion of renewable energies. And we must adapt our plants so that we need less gas.

Despite the current events, we are resolutely following our path towards climate neutrality. Not only that: We are speeding up this transformation.

You already know our ambitious targets. They continue to apply:

- By 2030, we want to reduce our CO₂ emissions by 25 percent compared with 2018.
- And we aim to achieve net-zero emissions by 2050.

You might think of these as 'dry numbers.'

But what measures, activities and concepts are behind them? And most importantly, how do we strengthen our competitiveness while doing this?

I would like to give you some answers. I will focus on six points.

First: We are following new energy supply paths.

We want to supply our sites worldwide with green electricity.

In Europe, the war has created additional pressure on fossil fuels. In the short term, the priority is substituting Russian natural gas. For example, with liquefied natural gas, also known as LNG. But this will not be possible from one day to the next. Technically, we would just barely be able to continue operations at our Verbund site in Ludwigshafen with half the volume of gas. But doing so would mean idling numerous plants. We are therefore working intensively to reduce our dependence on gas.

However, BASF cannot entirely forgo natural gas – because we also use it as a raw material for our products. For energy production, on the other hand, we want to completely move away from oil and gas. This can be done with electricity from renewable sources.

We need enormous quantities of green electricity to reach our climate targets. Especially since we want to continue growing at the same time. We expect that our global electricity needs will more than double or even triple by 2040.

In China, we plan to supply our third-largest Verbund site in Zhanjiang with 100 percent green electricity by 2025. This is even faster than we previously planned! And we are therefore playing a pioneering role in the manufacturing industry in China. In June 2021, we signed a purchase agreement for renewable electricity with China Resources Power. In March 2022, we signed a framework agreement with State Power Investment Corporation.

We are also securing access to green electricity in the United States. We have entered into long-term supply agreements for wind and solar energy for our sites in Freeport and Pasadena, Texas.

The expansion of renewable energies thus needs to proceed faster! At BASF, we are not waiting around; we are setting the pace. To this end, we have established a dedicated legal entity. An own team to procure renewable energy for our sites in Europe. Solar, wind or bioenergy – there are various possibilities.

We have taken a one-quarter stake in an offshore wind farm from Vattenfall and secured half of its electricity production for BASF. Vattenfall is building the wind farm in the North Sea off the coast of the Netherlands. This will be the world's largest offshore wind farm to date. And it is being built without government subsidies. It is slated to connect to the grid in 2023.

So now you know why we get excited about strong winds over the North Sea. Those turbines will also be turning for BASF, primarily for our Verbund site in Antwerp. And we have other plans as well.

We have signed supply contracts with energy companies such as ENGIE and Ørsted to secure green electricity in the long term.

This is part of the “make and buy” strategy. Already today, we produce most of our electricity and steam ourselves. Currently, we are using natural gas. In the future, we want to do this with renewable energies.

This is competitive if the setup is right. It will become more attractive in the future because CO₂ costs will continue to rise.

As you can see: We are systematically transforming our energy supply with electricity from renewable sources.

Second: We are developing new low-emission technologies.

With investments and innovations, we can reduce our emissions at our sites – namely, the emissions from our production and from the generation of electricity and steam. We are directly responsible for these emissions. They are reflected in our corporate goals.

I will give you two examples of what we are working on:

We are developing new technologies to switch over our huge steam cracker furnaces from fossil to electric heating. We are in the middle of this project and everything is on schedule.

Why is this important for us? Because most of the CO₂ is emitted at the beginning of our value chains, for example, when naphtha is split into basic chemicals using steam at temperatures of around 850°. This process gives us a toolbox of molecules which we use to produce our sales products.

We are already planning to start up the first electrically heated steam cracker next year. We are doing this together with our partners Sabic and Linde.

Another technology we are working with is heat pumps.

Perhaps you are currently thinking about how to make your home heating more climate-friendly. Then this technology is likely to play a role.

The principle is simple to explain: At low temperatures, the pump absorbs heat from the environment and uses electricity to generate energy at a higher temperature level. We can use this energy for chemical reactions.

A lot of waste heat is generated in our chemical plants! And most of it is not utilized right now. In the future, we will use it to produce steam for our production. To do so, we want to employ high-temperature heat pumps. We are working on a great pilot project with Siemens Energy. The heat pump should start operations in 2024. In a first step, it can reduce CO₂ emissions by 160,000 metric tons. We will be using waste heat from our acetylene plant in Ludwigshafen.

To give you an idea of the scale: The heat pump is approximately as large as a soccer field.

Steam is the most important source of energy in the chemical industry. Until now, half of it has come from our gas and steam power plants, which emit CO₂. When we start generating steam with heat pumps, we will avoid these emissions.

We are a trailblazer: This will be the first industrial heat pump of its kind worldwide. But it will not remain the only one. We will roll out this technology as quickly as possible at other sites, too.

Third: We are changing our raw material base with the circular economy.

We have yet another lever to reduce our CO₂ emissions. We are replacing fossil feedstock with recycled and waste-based raw materials. From 2025, we want to process 250,000 metric tons of these materials in our production annually.

To this end, we are working with partners to analyze waste streams and raw material sources to develop innovative processes. One example of this is chemical recycling. In this process, pyrolysis oil can be produced as a new feedstock from plastic waste and scrap tires.

We also use our biomass balance approach. Bio-naphtha and biogas are obtained from organic waste and serve as a starting material in our production. Many products, such as insulation materials or hygiene products, can be produced in this way.

In total, we are working on 35 promising circular economy projects. These are innovations for new sources of feedstock, material loops and new business models.

By the year 2030, we want to double our sales generated with solutions for the circular economy to €17 billion.

Fourth: We offer our customers products with a reduced carbon footprint, and we take advantage of our opportunities for profitable growth.

Ladies and gentlemen,

Our CO₂ reduction targets are ambitious. We are well on track to reaching them. The crucial question is: How do we stay competitive while doing so? And how do we leverage new opportunities for growth? Transformation and competitiveness must go hand in hand. This means CO₂-free must have its price.

More and more of our customers want to have products with a reduced carbon footprint.

Let me give you one example: Henkel wants to replace fossil feedstock with renewable raw materials in its products. With us as a partner. We are doing that over the next four years with the biomass balance approach. This will cover the entire spectrum of detergents and cleaners as well as personal care products for the European market. Some of these brands you surely know: Persil, Pril, Fa and Schauma.

Achieving this requires transparency about product-related emissions. At BASF, we provide this transparency. We have developed a digital solution to calculate the carbon footprint of our 45,000 sales products worldwide. This cradle-to-gate figure covers emissions from the purchased raw materials and the energy used in production all the way up until the product leaves our factory gates.

With Henkel, we are replacing around 110,000 metric tons of fossil-based inputs per year with renewable raw materials. As a result, the end products will have a significantly reduced carbon footprint. Overall, we are avoiding around 200,000 metric tons of CO₂ emissions in the production of products for Henkel.

We are convinced: CO₂-free products are the future!

That is why we want to be one of the first suppliers to have many such products in our portfolio. This differentiates us! This increases our competitiveness! And this enables us to grow faster than the market in all regions!

We expect that demand will soon outstrip supply. And the price of these products will more than compensate for the higher production costs.

You, as a consumer, will ultimately have the choice: Between a less expensive but more carbon-intensive product – or a slightly more expensive product with a reduced footprint.

As you can see: We are making progress in developing markets for CO₂-free products. And this is also necessary, so that our investments pay off.

Because we are investing significantly for more climate protection:

- As much as €4 billion by 2030.
- After 2030, it will likely be more than €10 billion.

Dear shareholders,

Without profitable growth, there will be no successful transformation. We are therefore continuing to focus our portfolio and our business activities on organic growth.

This can only be accomplished with China. China is the largest and fastest-growing chemical market in the world.

As you know, we are building our third-largest Verbund site in Zhanjiang, in southern China. We want to accelerate our profitable growth in China. This site will be the foundation for that.

We are utilizing the newest and most innovative technologies and production processes there. From the very beginning, we have planned this site to be a leader in terms of sustainability. With lower CO₂ emissions compared to conventional chemical production sites.

Construction work in Zhanjiang is on schedule, despite the pandemic.

Expanding our battery materials activities is our second growth focus area. We are one of the few global producers. With our production sites in Europe, the United States and Asia, we are present in all key markets and close to our customers.

Our cathode active materials support the dynamic market transition from combustion engines to e-mobility. At the same time, with their low carbon footprint, they enable the journey to a climate-neutral future.

This is how we at BASF combine climate protection with growth.

And that brings me to my **fifth point: We need a new spirit of cooperation between policymakers, industry and society.**

Europe wants to achieve climate neutrality by 2050. As do North America and many of BASF's other important markets. However, the EU has adopted the most ambitious transformation strategy of any region. Other regions take a critical view of many of the planned changes.

Implementing the European Commission's Green Deal is an incredible feat. Chemical companies in Europe are confronted with a quadruple challenge: Becoming green and digital while advancing the circular economy and dealing with the new European chemicals law. Everything at the same time, no priorities! This is a bit of a steamroller situation and it jeopardizes our competitiveness.

Since February 24, the European chemical industry has been facing an additional challenge: high energy prices. And these will not just be temporary; this will be a long-lasting structural change not faced by the United States and China. In this new reality, it will thus be even more difficult to achieve the transformation to climate neutrality.

This will be the hardest test our industrial competitiveness has ever faced! Especially for the energy-intensive chemical industry. It will hamper the industry's financial power precisely at the time when increased investment and innovation are needed to realize the Green Deal.

This certainly does not mean that we are questioning our targets: To combat climate change, it is up to us to find solutions. But it is a herculean task that we will only accomplish together: Politics, industry and society must work as one!

One example is the new chemical legislation coming out of Brussels. Independent experts estimate that around 12,000 chemical products are likely affected. This is 45 percent of all substances. Many of them will be banned. And we will not be able to replace all of them by innovations. Outside of Europe, there is no such approach. This makes it increasingly difficult for the chemical industry in Europe to remain competitive.

Just so you understand: We support the aim of further improving the protection of people and the environment. Even in Europe, with the world's highest levels, we can still get better. But here too: We need a sense of reality and balance in Europe! A glimpse at other regions shows what a hot topic this is.

The chemical industry plays a crucial role for the Green Deal: Because without our innovations, it will not succeed! And if we are not on the right path to climate neutrality at the beginning of nearly all value chains, then nobody in the downstream businesses will succeed, either.

That is why we urgently need a political framework in Europe that strengthens rather than weakens competitiveness. A framework that rewards entrepreneurial boldness. Because it is clear that not all technologies will succeed in the end. But we have to try new things *now*.

This means we need to be open to technologies. And there must be unbureaucratic public funding for audacious new projects.

We at BASF have the entrepreneurial drive to achieve the energy transition. And we have the technologies. Moreover, there are positive signals from policymakers in Berlin. The German government has now recognized that we need to massively speed up the expansion of renewable energies. And at competitive prices. The transformation will not be possible with expensive energy.

I repeat my message to politicians: We must think about climate and energy policy with the end result in mind. All measures must revolve around the question: How can we achieve the climate goals and at the same time preserve the global competitiveness of industry? That's how to put theory into practice. And make this transformation an economic success.

And finally, **sixth: We are a strong team at BASF. With passion and courage.**

Ladies and gentlemen,

At BASF, we are working on entirely new processes and technologies for a climate-neutral future.

We are more than 110,000 employees worldwide. From Germany and Ukraine, from the United States and China and many other countries.

The BASF team is highly motivated. Gives its best. Is creative. Has entrepreneurial spirit. And is proud that sustainability is firmly embedded in our corporate purpose.

“We create chemistry for a sustainable future.”

We stand behind this. This drives us. This is our common bond.

And I am passionate about this too. As a CEO, as a father and a citizen, I would like to make a contribution to a bright future and a healthy planet. As a scientist, I am pushing to ensure we will supply the innovations for this.

At BASF, we are making every effort to achieve this. This is how we create value for you, our shareholders.

And this brings me to the end of my speech.

We are navigating BASF through these difficult times with balance and foresight.

We make carefully weighed decisions to remain competitive *and* further develop BASF. We have the right strategy for this, as I showed you today.

- We are following new energy supply paths.
- We are developing new low-emission technologies.
- We are changing our raw material base with the circular economy.
- We are offering our customers products with a reduced carbon footprint.
- We are utilizing our opportunities to grow profitably.

And:

- We are a strong team at BASF. With passion and courage.

Once again, this team demonstrates: We stand together in times of crisis. This solidarity gives us strength, determination and optimism for the tasks that lie ahead of us.

With our innovative strength and our entrepreneurial spirit, we create chemistry for a sustainable future. We are pioneers, driving the transformation.

Every industry needs a driving force that puts things in motion. And that force is your BASF.

We would be pleased to continue to have you firmly at our side.

Thank you.