

BASF Green Bond Allocation Report

as of December 31, 2020

Sustainability is embedded in BASF's corporate purpose: "We create chemistry for a sustainable future". In this context, BASF has decided to not only integrate sustainability into its business, but also firmly integrate it into the financing activities. On May 28, BASF placed its inaugural green bond with a volume of €1.0 billion on the capital market. With this, investors have the opportunity to participate in the financing of BASF's green projects and products that are in line with the Green Finance Framework. BASF's Green Finance Framework is in line with the ICMA Green Bond Principles as well as the LMA Green Loan Principles and received a Second Party Opinion from ISS ESG.



Final terms

Issuer	BASF SE
Issuer rating ¹	Moody's: A2, S&P: A
Format	Senior, Unsecured, Reg S Bearer
Settlement date	June 05, 2020
Maturity	June 05, 2027
Volume	€1,000,000,000
Coupon	0.25% p.a.
Re-offer price	99.772%
Re-offer yield	0.283%
ISIN	DE000A289DC9
Denominations	€100,000
Use of proceeds	Green projects in line with BASF Green Finance Framework
Listing	Luxembourg

¹ Current credit ratings can be found at: <https://www.basf.com/global/en/investors/creditor-relations/credit-rating.html>



Use of Proceeds

The net proceeds of BASF's Green Bond will be used to finance and/or refinance, in whole or in part, new or existing projects ("Eligible Projects") from any of the Eligible Green Products/Project Categories as defined in BASF's Green Finance Framework:

GBP/GLP Category	Eligible Green Products / Project Categories	UN SDGs	EU Environmental Objective (Taxonomy Regulation) ²
<p>Eco-efficient and circular economy products, production technologies and processes</p>	<p>Accelerator Solutions³ Only the highest level of sustainable products (solutions referred to as "Accelerator") is eligible. These products have a substantial sustainability contribution in the value chain and no negative impacts on any other relevant sustainability criteria.</p> <p>Carbon Management Carbon Management bundles BASF's global activities and a long-term research and development program to reduce greenhouse gas emissions. The objective is to achieve the company's climate protection target and set the course for low-carbon chemical production.</p>		<p>The project categories contribute mainly to (but not limited to) the following objectives:</p> <p>EU Environmental Objective 1: Article 6: Substantial contribution to Climate Change Mitigation</p> <p>EU Environmental Objective 2: Article 7: Substantial contribution to Climate Change Adaptation</p> <p>EU Environmental Objective 3: Article 8: Substantial contribution to sustainable use and protection of water and marine resources</p> <p>EU Environmental Objective 4: Article 9: Substantial contribution to Transition to the circular economy, waste prevention and recycling:</p> <p>EU Environmental Objective 5: Article 10: Substantial contribution to pollution prevention and control <u>Including</u>: Article 10.1.c: minimising significant adverse effects on human</p>
	<p>Electric vehicle battery materials and plants Development, manufacturing, acquisition of low carbon transportation components, as for example battery materials.</p>		

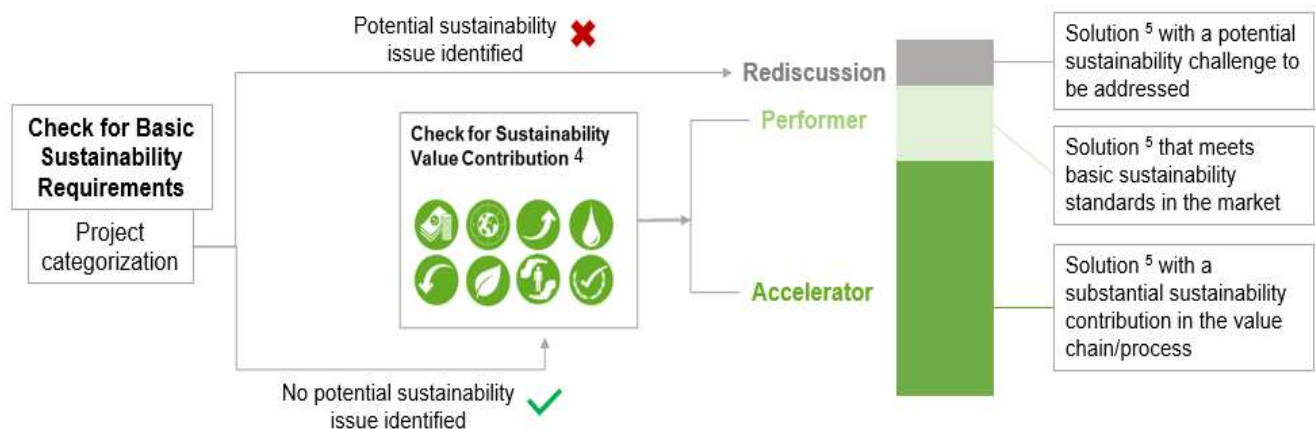
² Proposal for a regulation of the European Parliament and of the council on the establishment of a framework to facilitate sustainable investment, COM/2018/353 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018PC0353>

³ refers to Accelerator R&D projects (including those that have been put on hold, stopped, or restructured)

	<p>Recycling: ChemCycling™ products and plants</p> <p>Since mechanical recycling is limited, e.g., due to high sorting requirements and decreasing material quality in each cycle, BASF is developing innovative technologies that promote recycling of plastics. This includes research and development on new materials and additives that facilitate recycling processes as well as several chemical recycling processes to create value out of waste. Chemical recycling allows to recycle waste for which there are no recycling solutions or missing capacities today and is therefore complementary to mechanical recycling.</p>	<p>health and the environment of the production and use of chemicals.</p> <p>EU Environmental Objective 6: Article 11: Substantial contribution to protection of healthy ecosystems</p> <p>For a full list of indicators for the contributions in the value chain see Appendix in BASF's Green Finance Framework</p>
<p>Renewable Energy</p>	<p>Provision of capital for the planning, construction, development and installation of renewable energy production and storage units</p>	 

Sustainable Solution Steering in R&D (“Accelerator Solutions”)

BASF systematically steers the entire portfolio towards more sustainable solutions for long-term business success.



⁴ Aspects from top left to bottom right: Cost savings downstream, Climate change and energy, Resource efficiency, Water scarcity and pollution, Pollution (air, noise, soil), Biodiversity and renewables, Health and safety, Hunger and poverty

⁵ Intended result of the R&D project

Allocation report as of year-end 2020

Eligible Green Project Portfolio	Amount allocated (€ million)		Green funding	Amount (€ million)
	2019	2020		
Eco efficient and circular economy adapted products, production technologies and processes	20	665	ISIN: DE000A289DC9 (June 2020)	1,000
Renewable Energy				
Eligible green project expenditures	20	665		
Total eligible project portfolio		685	Green funding total	1,000

By the end of 2020, BASF has allocated €685 million to eligible green projects, leaving €315 million unallocated. Thereof 60% was used to finance new projects while 40% was used to refinance existing projects.

The €20 million in 2019 was allocated into the ChemCycling™ category, re-financing BASF's investment in Quantafuel ASA⁶.

Out of the €665 million in 2020, €565 million was used to finance "Accelerator Solutions" in R&D. The remaining €100 million was allocated to the electric vehicle battery materials and plants category and was used to finance the construction of the production plant in Harjavalta, Finland.

The auditing firm KPMG has conducted an external verification ("limited assurance") according to ISAE 3000 of the allocation report and confirmed the allocation of issuance proceeds to green expenditures (see Appendix).

The impact report will be provided upon full allocation of the bond.

⁶ In July 2020 Quantafuel made a conversion of the legal form of the company from a private liability company (AS) to a public limited liability company (ASA).

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Limited Assurance Report of the Independent Auditor regarding the Use of Proceeds in the Appendix “Green Bond Reporting – Allocation Report” of BASF SE

To BASF SE, Ludwigshafen

We have been engaged to perform an independent limited assurance engagement on the qualitative and quantitative disclosures related to the use of proceeds in the Appendix “Green Bond Reporting – Allocation Report” (further “Report”) of BASF SE, Ludwigshafen (further “Company”) for the calendar years 2019 – 2020.

It was not part of our engagement to review the BASF Green Finance Framework and the report on impacts.

Management’s Responsibility for the Report

The legal representatives of the Company are responsible for the preparation of the Report in accordance with the Reporting Criteria. BASF SE applies the principles and standard disclosures of BASF Green Finance Framework as Reporting Criteria (further “Reporting Criteria”).

The responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual qualitative and quantitative sustainability disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Practitioner’s Responsibility

It is our responsibility to express a conclusion on the Report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by the International Auditing and Assurance Standards Board (IAASB).

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Report of the Company for the calendar years 2019 – 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of personnel on group level responsible for the disclosures related to the use of proceeds of the Green Bonds, in order to gain an understanding of the processes for the data management
- Interviews with relevant staff on corporate level responsible for providing and consolidating the data and information, as well as carrying out internal control procedures on the data and information
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the quantitative disclosures included in the scope of the use of proceeds of the Green Bonds
- Evaluation of selected internal and external documents
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey
- Reviewing the consistency of eligible category declared by Green Finance Framework of BASF SE with the reported information in the Report
- Verification whether the reported investments and expenditures for the eligible projects are aligned with recognized criteria declared by Green Finance Framework of BASF SE

Our assurance does not extend to any other information in the Report. We have neither reviewed and do not provide any assurance over any individual project information reported, including estimates of sustainability impacts nor is the reporting on the project evaluation and selection and the management of proceeds part of our assurance procedures.

However, we have no responsibility for challenging the Eligibility Criteria and, in particular, we give no interpretation on the final terms.

The verification of the issue conditions of the Green Bonds (including issue volume) and the process for internal tracking of disposition of funds was not part of our limited assurance engagement.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the qualitative and quantitative disclosures related to the use of proceeds in the Appendix for the calendar years 2019 – 2020 included in the scope of this engagement and published in the Report are in all material respects not prepared in accordance with the Reporting Criteria.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Management of BASF SE, Ludwigshafen, only. We assume no responsibility with regard to any third parties.

Our assignment for the Management of BASF SE, Ludwigshafen, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, 21 July 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Glöckner
Wirtschaftsprüfer
[German Public Auditor]

Brokof
Wirtschaftsprüferin
[German Public Auditor]

Attachments

Use of Proceeds in the Appendix “Green Bond Reporting – Allocation Report” of BASF SE	Attachment 1
General Engagement Terms	Attachment 2

Appendix
General Engagement
Terms

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.