

Position on Sustainable Finance

Key messages

- BASF supports the efforts made by the European Union in developing regulatory tools necessary to mainstream sustainable finance.
- Our industry provides the technological solutions needed to achieve many of the sustainability objectives of the EU Sustainable Finance Agenda and the UN Sustainable Development Goals.
- An enabling EU regulatory framework should minimize uncertainty, ensure comparability and safeguard competitiveness.

About the topic

Sustainable finance refers to the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects. Sustainable finance at the level of the European Union (EU) aims at supporting the delivery on the objectives of the **European Green Deal** by channelling private investment into the transition to a climate-neutral, climate-resilient, resource-efficient and just economy, as a complement to public money. To achieve this, a common language and a clear definition of what is 'sustainable' is needed - an "EU taxonomy".

What does BASF offer?

The European Chemical Industry is a key enabler to achieve the UN Sustainable Development Goal (SDG) agenda and the Paris Agreement. Our industry provides the technological solutions needed to achieve many of the sustainability objectives of the **EU Sustainable Finance Agenda** (solar/ wind energy, lightweight electric cars, energy-efficient buildings, recyclable products, etc.). BASF also provides a number of interesting solutions related to sustainable finance. In 2013 we developed the **Value-to-Society** approach to perform monetary assessment of the ESG aspects along the value chain. BASF's Value to Society approach, which has inspired the **Value Balancing Alliance**, is recognized by the European Commission as a very innovative project that can help create new accounting systems (e.g., green and social) beyond a common language for sustainable activities.

Our position

BASF supports the efforts made by the EU in developing regulatory tools necessary to mainstream sustainable finance, which will be needed to achieve the ambitious objective of a more resilient and net zero-emissions European economy by 2050. Given that Taxonomy will be the basis of almost all other sustainable finance initiatives, its implementation has the most fundamental impact on BASF. The potential influence could be positive, mobilizing capital flows towards our environmentally beneficial projects. However, BASF also sees a risk related to access for funding which could influence the industry's competitiveness. In any event, the EU taxonomy will undoubtedly increase BASF's reporting obligations and result in additional administrative costs. Therefore, an enabling EU regulatory framework should:

1. Be supportive and well-designed to minimize uncertainty, ensure comparability and safeguard competitiveness.
2. Provide adequate flexibility in incorporating the EU Taxonomy into business models. The Taxonomy must be fair and incentivize companies to contribute to the transition journey, while avoiding penalizing those making efforts. It should reflect the real functioning of industrial value chains and follow a technologically neutral approach.
3. Develop EU Green Bond Standards (GBS) to enhance real economy investments in sustainable projects and activities. The EU GBS should be synchronized with the EU taxonomy and should not "brown list" any sectors.
4. Review the Non-Financial Reporting Directive (NFRD) to improve comparability and intelligibility of sustainability reporting for users, notably investors. The revision should include harmonizing NFR standards at a global level; acknowledge the reporting principle of materiality and coherence between the various mechanisms under the EU Sustainable Finance Action Plan.