

EU Taxonomy Implementation @ BASF

DIHK Hungary, June 16, 2021

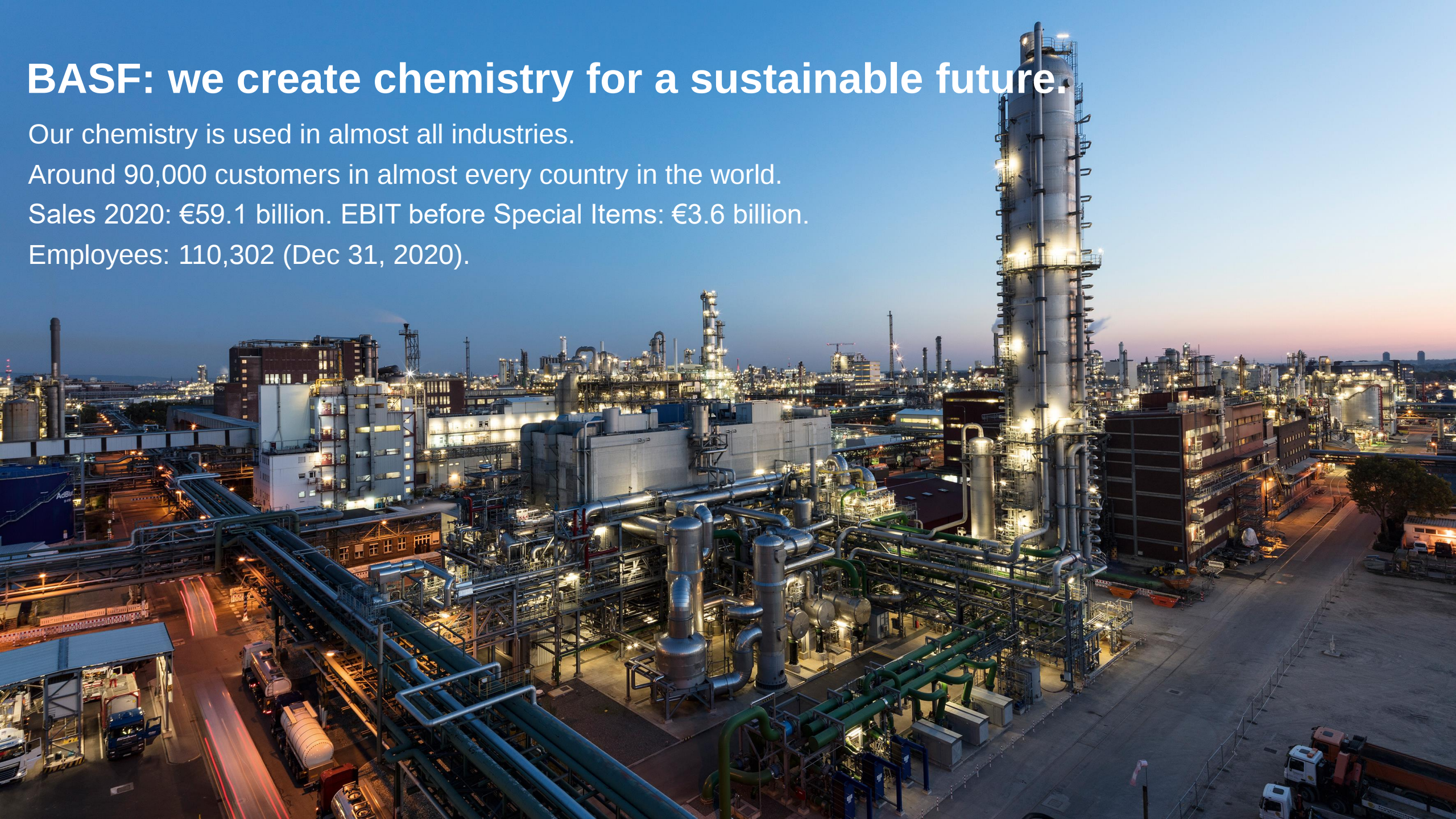
BASF: we create chemistry for a sustainable future.

Our chemistry is used in almost all industries.

Around 90,000 customers in almost every country in the world.

Sales 2020: €59.1 billion. EBIT before Special Items: €3.6 billion.

Employees: 110,302 (Dec 31, 2020).

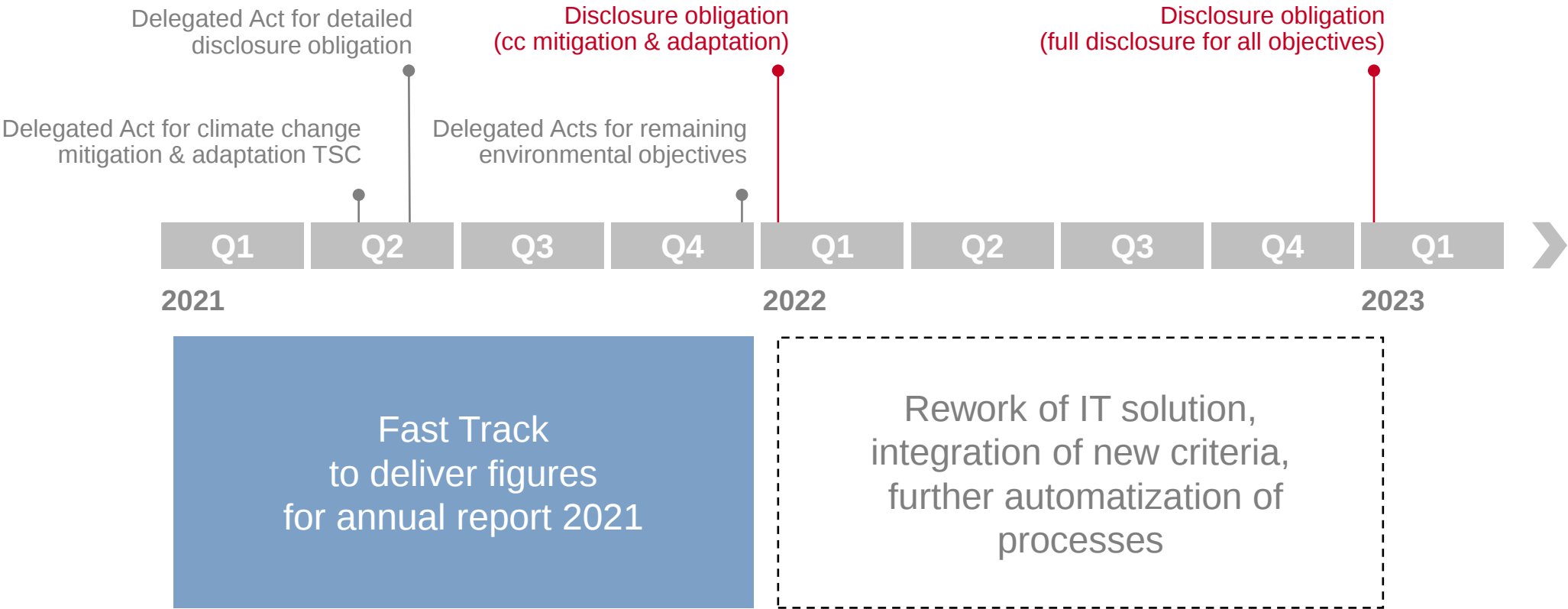


Our challenge: screening of our global product and investment portfolio in <6 months and delivering new KPIs for annual report 2021

- Technical screening criteria published in Apr 2021 and detailed disclosure obligation requirements expected for June 2021 (?) → however disclosure obligation remains for annual report 2021*
- **We have to screen:**
 - ▶ ~45,000 products
 - ▶ More than 10,000 investment projects
 - ▶ ~250 production sites globally
 - ▶ ~700 plants
- Data usually not readily available (e.g., data gaps for non-EU plants assessed under EU rules, no central repository, lifecycle analysis)

*in the latest consultation of Art. 8 a step wise approach is proposed

BASF has set-up an internal project to fulfill taxonomy reporting obligations



Application of Taxonomy extremely challenging

→ companies require practical support

Companies

People
Data
Processes
IT Systems
Worldwide
< 6 months

Taxonomy

Complex methodology and technically difficult criteria
Criteria and reporting requirements not final
Application EU legislation outside of Europe
Almost no practical guidance
Uncertainty in further development

- More time for implementation needed
- Implementation support (e.g. helpdesk) required on EU level
- Stronger involvement of practitioners in Taxonomy design

→ **BASF willing to support**

Contact



Alexander Fiedler
Corporate Finance
alexander.fiedler@basf.com



Andreas Horn
Corporate Strategy
andreas.L.horn@basf.com



We create chemistry

Taxonomy requires us to go down on a very granular level

- | | | |
|---|--|-------------------|
| 1 | Identify BASF's economic activities covered by Taxonomy
(via matching PRODCOM to BASF products) | Product / Project |
| 2 | Assess substantial contribution criteria (mitigation or adaptation) | Plant / Site |
| 3 | Check do-no-significant-harm criteria (DNSH) | Plant / Site |
| 4 | Check minimum safeguards | Company |
| 5 | Extract Sales, CapEx and OpEx data | Product / Project |

Challenge 1: Identify BASF's economic activities covered by Taxonomy

- Taxonomy uses NACE codes → Mapping globally built up for BASF products
- Link to NACE Codes within Taxonomy has been weakened

3.17. Manufacture of plastics in primary form

Description of the activity

Manufacture resins, plastics materials and non-vulcanisable thermoplastic elastomers, the mixing and blending of resins on a custom basis, as well as the manufacture of non-customised synthetic resins.

The economic activities in this category could be associated with NACE code C20.16 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

- At the same time technical screening criteria are applied also on levels below NACE

Technical screening criteria are applied on different levels

NACE CODE		PRODCOM	
No.	Economic activity	Activity/product group	Activity/product
3.10.	Manufacture of hydrogen	Hydrogen	Hydrogen
3.11.	Manufacture of carbon black	Carbon black	Carbon black
3.12.	Manufacture of disodium carbonate	Disodium carbonate (soda ash)	Disodium carbonate (soda ash)
3.13.	Manufacture of chlorine	Chlorine	Chlorine
3.14.	Manufacture of organic basic chemicals	Highvolume chemicals (HVC)	Acetylene, Ethylene, Propylene, Butadiene
		Aromatics	Toluene, o-Xylene, p-Xylene, Ethylbenzene, m-Xylene and mixed xylene isomers,Cumene, Biphenyl, terphenyls, vinyltoluenes, other cyclic hydrocarbons excluding cyclanes, cyclenes, cycloterpenes, benzene, toluene, xylenes, styrene, ethylbenzene, cumene, naphthalene, anthracene, Benzol (benzene), toluol (toluene) and xylol (xylenes), Naphthalene and other aromatic hydrocarbon mixtures (excluding benzole, toluole, xylene)
		Vinyl chloride	Vinyl chloride
		Styrene	Styrene
		Ethylene oxide / Monoethylene glycol	Ethylene oxide, Monoethylene glycol
		Adipic acid	Adipic acid
3.15	Manufacture of anhydrous ammonia	Anhydrous ammonia	Anhydrous ammonia
3.16	Manufacture of nitric acid	Nitric acid	Nitric acid
3.17	Manufacture of plastics in primary form	Plastics in primary form	Manufacture resins, plastics materials and non-vulcanisable thermoplastic elastomers, the mixing and blending of resins on a custom basis, as well as the manufacture of non-customised synthetic resins.

in bold: Technical screening criteria to be applied

Challenge 2: Applying complex assessment methodology

Application of EU legislation outside of Europe (e.g. EU ETS Benchmarks)

Uncertain terminology (e.g. “substantial”) and technically difficult criteria (e.g. better than “best performing alternative”)

Assessment itself is unclear (e.g. DNSH Water: companies to conduct an EIA*, but it is up to the authority to request an EIA).

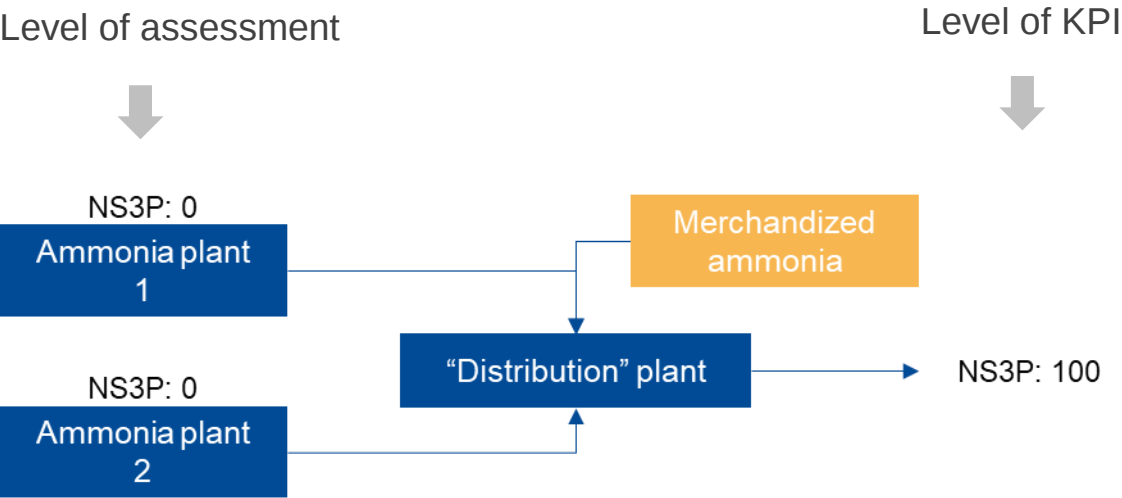
*environmental impact assessment



broad range of data requested is not completely and often not centrally available

Challenge 3: Extracting the 3 KPIs (Sales, CapEx and OpEx)

Sales



CapEx



Uncertainty in development of criteria hinders proper investment planning

OpEx



Low comparability as not standardized within financial reporting

Our upcoming challenge: how to ensure that taxonomy aligned investment projects generate taxonomy aligned sales?

Example: new plant, start-up in 2027 and running time > 10 years



Technical Screening criteria can change various times during the life cycle of a plant and it's still unclear how these criteria will evolve