

BASF SE

Mr. Kurt Bock, CEO
Carl-Bosch-Straße 38
D-67056 Ludwigshafen
Germany

Paris, August 17th, 2022

Re: Communication about BASF's handling and storage of chemicals.

Ref: 220817/FEBE/BasfEsg

Dear Chief Executive Officer,

Finaltis is a Paris-based asset management company regulated by the AMF (*Autorité des Marchés Financiers*), the French counterpart of the German *Bundesanstalt für Finanzdienstleistungsaufsicht*.

The Finaltis EfficientBeta™ Euro fund, managed by Finaltis, is investing in equities of large companies listed on exchanges in the Eurozone.

As part of its investment process, Finaltis reviews extra-financial criteria, as we believe a company following a responsible code of conduct will contribute to a sustainable growth from which its shareholders will benefit on the long term.

Our ESG (Environmental, Social and Governance) analysis team contributes to our investment choices, by formulating recommendations and alerts depending on companies' ESG performance. Our analysis is based on a company's ESG score and controversies flagged by our data providers.

Finaltis looks up to BASF as the world's leader in the chemistry sector and acknowledges the value it creates as well as the inherent risk in handling chemical and potentially toxic products. The preventive closure of the imidazole plant in October 2020 after cosmetic and pharmaceutical waste was found in the Rhine River is a decision deserving praise; however, the frequency of chemical leakage is as regrettable as it might be avoidable. We would like to encourage BASF to pursue even greater rigor in its processes for chemical control and storage leading to better preservation of the sites on which the plants operate and greater protection of local human and animal life.

To give investment substance to our point about the importance of compliance with and good communication in terms of ESG practices for a listed company, we would like to share some figures with you: in 2021, European collective investment fund inflows reached €406 billion across all funds, including €258 billion for responsible investment funds, i.e. 64% of total flows (source: Quantalys database). Almost two thirds of investment flows are now guided in whole or in part by extra-financial criteria.

While BASF's ESG score is high compared to its sector's, so is the number of controversies in which the company is involved. This is unfortunately quite damaging to your stock's positioning in some fund's ESG strategy; we strongly believe a more active communication on your risk management policy - first and foremost concerning chemical leaks - would greatly benefit your overall ESG profile. We are quite certain BASF is working on initiatives such as 2020's "Zero Loss of Containment Mindset" in North America and "Zero leakage" in South America, and we would love to read about their current state of development or this year's projects in the same direction, as this would greatly help to reassess BASF's ESG status and lead to increased interest in the stock on the part of similarly minded investors.

We are aware of and grateful for the concrete efforts BASF is making to adopt the best ethical, responsible, and sustainable practices; we are convinced that our suggestions will be positively received.

Sincerely yours,



Rémy Croisille
Head of Research, Senior Fund Manager



Denis Beaudoin
CEO & Chief Investment Officer