

BASF SE

Financial Statements 2020 and Management's Report

 **BASF**

We create chemistry

Contents

| | | | |
|--|----------|---|-----------|
| Management's Report of BASF SE | 1 | Management and Supervisory Boards | 76 |
| Business Development | 3 | Board of Executive Directors | 76 |
| Digitalization and Innovation | 6 | Supervisory Board | 77 |
| Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB) | 7 | Report of the Supervisory Board | 79 |
| Opportunities and Risks | 36 | Financial Statements of BASF SE | 85 |
| Outlook | 43 | Statement of Income | 85 |
| Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB) | 44 | Balance Sheet | 86 |
| Corporate Governance Report | 44 | Notes | 87 |
| Compliance | 51 | Assurance Pursuant to Sections 264(2) and 289(1) of the German Commercial Code (HGB) | 123 |
| Declaration of Conformity | 53 | Independent Auditor's Report | 124 |
| Compensation Report | 54 | | |

Management's Report of BASF SE¹

Corporate structure

As the publicly traded parent company in the BASF Group, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also one of the largest operating companies. The Board of Executive Directors of BASF SE manages the BASF Group.

Organization of the BASF Group

We have 11 divisions grouped into six segments:

- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Pigments, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

Our divisions bear operational responsibility here and are organized according to sectors or products. They manage our 52 global and regional business units and develop strategies for the 75 strategic business units. BASF has companies in around 90 countries. The BASF Group operates six Verbund sites and 241 additional production sites worldwide.

The operating business of BASF SE represents a portion of the BASF Group's global business and is managed by the respective divisions and business units based on the performance indicators of the BASF Group. The cornerstones of the BASF organization are the operating divisions, service units, regions and the Corporate Center. Five service units provide services for the operating divisions and sites in the areas of finance, human resources, environmental protection, health and safety, intellectual property, communications, procurement, supply chain and inhouse consulting. The Corporate Center units support the Board of Executive Directors in steering the company as a whole. These include central tasks from the areas of strategy, finance, law, compliance and tax, environmental protection, health and safety, human resources, communications, investor relations and internal audit.

Ten of the 11 operating divisions have production plants at the BASF SE site in Ludwigshafen, Germany. This underscores the importance of this Verbund site for the BASF Group. From Ludwigshafen, BASF SE supplies products and services to around 8,000 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

Our over 9,000 suppliers also come from many different sectors. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Some of the most important raw materials are naphtha, natural gas, methanol, ammonia and benzene.

BASF SE had 34,484 employees on December 31, 2020, of which 4,193 in research and development.

A complete overview of BASF SE's operating business is provided by the Consolidated Financial Statements of the BASF Group. To assess the operations of BASF SE, a distinction must be made between sales and income from operations from BASF SE's own production and from the sale of products of other European BASF Group companies. In addition, due to its Group management function, central tasks that also have an effect on income from operations are allocated to BASF SE.

BASF SE's most important financial key performance indicators are sales and income from operations. BASF SE's function as the parent company of the BASF Group is primarily reflected in the financial result.

Nonfinancial statement (NFS) in accordance with sections 289b to 289e of the German Commercial Code (HGB)

The nonfinancial statement in accordance with sections 289b to 289e HGB can be found on pages 7 to 35 and are a part of the Management's Report. Within the scope of the audit of the annual financial statements, the external auditor KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a limited assurance of the NFS. An assurance statement of the limited assurance can be found online at [basf.com/nfs-audit-2020/basf-se](https://www.basf.com/nfs-audit-2020/basf-se). The audit was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international auditing standards for sustainability reporting.

¹ Links and additional content on BASF's websites referenced in this report are not part of the information audited by KPMG.

Accounting principles

The Financial Statements of BASF SE are prepared in accordance with the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and the applicable regulations for public limited-liability companies in the Member State in which it has its registered office, i.e., in accordance with the accounting regulations for the fiscal year ending December 31, 2020, in particular the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The Consolidated Financial Statements of the BASF Group, however, take into account the Financial Statements of BASF SE, which are prepared in accordance with International Financial Reporting Standards (IFRS).

Corporate Governance Statement pursuant to section 289f of the German Commercial Code (HGB)¹

The Corporate Governance Statement in accordance with section 289f HGB, printed on pages 44 to 53 (Corporate Governance Report, Compliance, Declaration of Conformity), is an element of the Management's Report. The audit of the disclosures required by section 289f(2) and (5) HGB pursuant to section 317(2) sentence 6 HGB is limited to whether the disclosures have been made.

Economic environment²

Global economic growth in 2020 was much weaker than we had forecast at the beginning of the year. In the first half of 2020, the coronavirus pandemic led to the worst economic slump since the Second World War. Following a recovery in the third quarter, economic activity in the fourth quarter was again disrupted by rising infection rates and government restrictions in many countries. Global gross domestic product (GDP) fell by 3.7% year on year (2019: +2.5%). Industrial production contracted by 4.0% (2019: +1.8%). Global chemical production declined by 0.4% (2019: +1.9%). The average price for a barrel of Brent crude oil decreased to \$42 per barrel (2019: \$64 per barrel).

Global industrial production contracted by 4.0% in 2020 (2019: +1.8%). The advanced economies saw much stronger decreases of 6.5% overall compared with the emerging markets, which only declined by 1.8%.

The emerging markets performed better primarily due to the recovery of industrial production in China (2020: +2.6%; 2019: +5.7%). In the remaining emerging markets of Asia, by contrast, industrial production fell by 7.1% overall (2019: +2.1%). Industrial production decreased by 7.8% in the European Union (E.U.) (2019: -0.2%) and by 10.5% in the United Kingdom (2019: -0.4%). North America (2020: -5.7%; 2019: +1.0%) and South America (2020: -7.5%; 2019: -0.6%) reported similar declines.

Contrary to our expectations, global chemical production contracted by 0.4% in 2020 (2019: +1.9%). As a result, the decline was much less pronounced than in global industrial production. This was because less cyclical customer sectors have a higher weighting in the chemical industry and because demand temporarily rose for disinfectants and cleaning products, protective clothing, single-use packaging and plexiglass.

However, there were significant regional differences. In the E.U., chemical production decreased by around 2%, with significant differences between the major production locations. While production only declined by between 1% and 3% in Belgium, Germany and Spain, and was virtually unchanged in the Netherlands, it fell by around 8% in Italy and by around 9% in France. Chemical production decreased by 4.6% in North America and by 1.1% in South America.

By contrast, China, the world's largest chemical market, increased volumes by 3.4%. In the rest of Asia, on the other hand, chemical production declined, in some countries significantly (Japan: -9.8%; Malaysia: -6.2%; India: -5.4%; South Korea: -3.2%). As a result, chemical production in Asia only increased by around 1%.

¹ In the version applicable to the Financial Statements and Management's Report for the 2020 fiscal year pursuant to Article 83 of the Introductory Act on the German Commercial Code (EGHGB)

² All information relating to past years in this section can deviate from the previous year's report due to statistic revisions. Where available, macroeconomic growth rates are adjusted for calendar effects. Figures for 2020 not yet available in full are estimated.

Business Development

Results of operations

| Million € | 2020 | 2019 |
|--------------------------------------|---------------|---------------|
| Sales revenue | 19,915 | 22,185 |
| Gross profit on sales | 2,950 | 4,631 |
| Income from operations (EBIT) | -1,780 | -47 |
| Income from shareholdings | 5,704 | 4,135 |
| Interest result | -649 | -116 |
| Other financial result | 40 | 40 |
| Financial result | 5,095 | 4,059 |
| Income before income taxes | 3,315 | 4,012 |
| Net income | 3,946 | 3,899 |

Sales

| Million € | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| Regions | | |
| Europe | 14,082 | 15,963 |
| of which Germany | 4,831 | 5,385 |
| North America | 1,652 | 1,706 |
| Asia Pacific | 2,552 | 2,803 |
| South America, Africa, Middle East | 1,629 | 1,713 |
| | 19,915 | 22,185 |

Sales revenue and gross profit on sales

BASF SE's sales declined by 10.2% year on year to €19,915 million in 2020, contrary to our forecast from the previous year of a slight increase in sales. In an environment dominated by the coronavirus pandemic, sales decreased in the operating business due mainly to lower sales volumes and to a lesser extent, lower sales prices. Lower raw materials prices were offset by lower capacity utilization rates for the production plants and impairments on property, plant and equipment, leading to a year-on-year decline in margins. Consequently, gross profit on sales declined by €1,681 million compared with the previous year to €2,950 million.

Income from operations

Income from operations decreased by €1,733 million to -€1,780 million, contrary to our prior-year forecast of income from operations on a level with the previous year. Selling expenses declined by €135 million, primarily due to lower commissions following a change to the business models. Administrative costs were €27 million below the prior-year level. In addition, research expenses decreased by €52 million, primarily as a result of lower expenditure in the divisions and for exploratory research. The balance of other operating income and expenses declined by €266 million compared with the previous year. Impairments on property, plant and equipment in the amount of €87 million, expenses for aid measures of €44 million and other expenses of €24 million were recognized in the reporting year in

connection with the coronavirus pandemic. Contributions to provisions for share price-based variable compensation (LTI programs) rose by €10 million. Out-of-period income decreased by €83 million in the reporting year. In addition, portfolio measures and a contractually agreed compensation payment reduced income by €60 million and €17 million, respectively. By contrast, expenses for restructuring measures in connection with the further implementation of the corporate strategy declined by around €80 million to compared with the previous year to €220 million. The foreign currency result improved by €32 million in the reporting year.

Financial result

The financial result rose by €1,036 million to €5,095 million. The increase in income from shareholdings was mainly due to higher dividends from affiliated companies. This was partially offset by lower gains on the disposal of shareholdings and lower profit transfers in the reporting year. The decrease in the interest result was attributable to lower income from plan assets.

Income before income taxes

Income before income taxes amounted to €3,315 million, €697 million below the prior-year level. Income taxes declined by €744 million to -€631 million in the reporting year. The change in deferred tax assets and liabilities resulted in tax income of €707 million in the current fiscal year (previous year: €18 million). In addition, current income tax expenses declined by €55 million as a result of lower additions to tax provisions for previous years and the decrease in income at BASF SE and its tax group companies.

Net income

Net income rose by €47 million year on year to €3,946 million in 2020.

Net assets and financial position

| | 2020 | | 2019 | |
|-------------------------------------|---------------|--------------|---------------|--------------|
| | Million € | % | Million € | % |
| Fixed assets | 26,720 | 48.2 | 27,222 | 49.3 |
| Current assets and other assets | 28,726 | 51.8 | 27,990 | 50.7 |
| Total assets | 55,446 | 100.0 | 55,212 | 100.0 |
| Equity | 19,213 | 34.7 | 18,298 | 33.1 |
| Provisions | 1,899 | 3.4 | 1,875 | 3.4 |
| Liabilities and other liabilities | 34,334 | 61.9 | 35,039 | 63.5 |
| Total equity and liabilities | 55,446 | 100.0 | 55,212 | 100.0 |

Net assets

Total assets amounted to €55,446 million, on a level with the previous year.

Fixed assets declined by €502 million, primarily due to the €739 million decrease in property, plant and equipment as a result of impairments. These mainly related to two plant complexes, which were written down as a result of negative developments in market prices, competition and demand, among other things. These developments were exacerbated by the coronavirus pandemic. Financial assets declined by €116 million. By contrast, intangible assets rose by €353 million, largely due to the industrial property rights and similar values purchased as part of the acquisition of Solvay's polyamide business.

Current assets and other assets increased by €736 million. Within this item, liquid funds rose by €1,299 million and deferred tax assets by €707 million. By contrast, inventories declined by €317 million and trade accounts receivable by €403 million. In addition, receivables from affiliated companies decreased by €768 million, mainly due to the repayment of financial investments within the Group. The excess of plan assets over obligations rose by €120 million as a result of income from plan assets and contributions to pension plan assets.

The €915 million increase in equity was due to the net income of €3,946 million, which exceeded the dividends paid for the 2019 fiscal year (€3,031 million).

Provisions increased by €24 million. Within this item, provisions for taxes rose by €116 million. The €100 million decrease in other provisions, largely from lower provisions for variable compensation, had an offsetting effect.

Liabilities and other liabilities declined by €705 million. Liabilities to affiliated companies decreased by €3,652 million, mainly due to the repayment of intragroup borrowing, while financial indebtedness increased by €2,856 million as a result of new bonds, bank loans and commercial paper.

Financial position

Operating activities generated €5,817 million in 2020 (previous year: €4,883 million). Net income amounted to €3,946 million (previous year: €3,899 million) and included non-cash-effective depreciation, amortization and impairment. Impairments were also recognized on two plant complexes.

Cash used in investing activities amounted to €432 million (previous year: €6,111 million). In addition to investments in property, plant and equipment, intangible assets were purchased, in particular as part of the acquisition of Solvay's polyamide business. The repayment of financial investments within the Group had an offsetting effect. Capital measures at subsidiaries more or less offset each other in the reporting year, after higher capital increases were made in the previous year.

Financing activities led to a cash outflow of €3,886 million (previous year: inflow of €1,180 million). The dividend payment and the repayment of financial liabilities within the Group exceeded the issuance of financial debt.

In total, liquid funds rose by €1,499 million to €2,469 million. This comprises cash on hand and balances with banks.

Principles and objectives of our financial management

Our financing policy aims to ensure our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our external financing needs on the international capital markets. We strive to maintain a solid A rating, which ensures unrestricted access to financial and capital markets.

BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. On December 8, 2020, Standard & Poor's confirmed its long and short-term ratings for BASF of A/A-1/outlook negative. Fitch confirmed its rating for BASF of A/F1/outlook stable on February 12, 2021. Moody's confirmed its rating for BASF of A3/P-2/outlook stable on February 12, 2021.

We have solid financing. Corporate bonds form the basis of our medium to long-term debt financing. These are issued in euros and other currencies with different maturities as part of our debt issuance program. The goal is to create a balanced maturity profile, diversify our investor base and optimize our debt capital financing conditions.

For short-term financing, we use BASF SE's global commercial paper program, which has an issuing volume of up to \$12.5 billion. As of December 31, 2020, commercial paper with a carrying amount of €1,333 million was outstanding under this program. A firmly committed, syndicated credit line of €6 billion was taken out in January 2019 to cover the repayment of outstanding commercial paper. It can also be used for general company purposes. In the second quarter of 2020, we took out a one-year credit line with several banks with a total volume of €3 billion. Neither credit line was used at any point in 2020. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

Digitalization and Innovation

Digitalization

Digitalization is an integral part of our business. We want to significantly improve the availability and quality of our process data. We will systematically analyze this data to further automate processes and in this way, increase efficiency, for example with predictive maintenance. In addition, combining internal and external data provides many new opportunities to manage our businesses more efficiently, improve processes and create value added for our customers. We are already using artificial intelligence to collate data from various sources, for example to accelerate innovation processes, optimize our supply chains and logistics concepts, and to simulate product applications for our customers. The combination of products, services and digital offerings also gives rise to new business models and advantages for our customers, such as in agriculture or 3D printing. We want to leverage this growth potential and seize the opportunities offered by digitalization to the benefit of our customers. To do so, we are making digital technologies and practices an even more integral part of our processes, extensively promoting digital skills among our employees, and cooperating with external partners on specific topics.¹

Innovation

Supplying a fast-growing global population with food, energy and clean water, making the best use of limited natural resources and protecting our climate are among the greatest challenges of our time. Innovations based on chemistry play a pivotal role in overcoming these. New, resource-efficient solutions and business models are needed to decouple growth from the consumption of finite resources. Together with our customers from almost all sectors, we are working on innovative processes, technologies and products for a sustainable future. This is how we ensure our long-term business success and that of our customers.

Our global network of outstanding universities, research institutes and companies forms an important part of our Know-How Verbund.¹ As part of our corporate strategy, we combined research and development at an organizational level, making it better aligned with the needs of our customers. Our aim is to continue to shorten the time to market and accelerate the company's organic growth. A strong customer focus, digitalization, creativity, efficiency and collaboration with external partners are among the most important success factors here. In order to bring promising ideas to market as quickly as possible, we regularly assess our research projects using a multistep process and prioritize our focus areas accordingly.

Our cross-divisional corporate research remains closely aligned with the requirements of our operating divisions and allows space to review creative research approaches quickly and in an agile way. We strengthen existing and continually develop new, key technologies that are of central significance for our operating divisions, such as polymer technologies, catalyst processes or biotechnological methods.¹

The Ludwigshafen site in Germany is and will remain the largest in our Research Verbund. This was once again underlined with the investment in a combined laboratory building for cleanroom and elemental analysis. The new building is scheduled to open in 2022 and will enable us to continue to drive forward Analytics 4.0 with innovative digitalization and automation solutions.

The number and quality of our patents also attest to our power of innovation and long-term competitiveness. In 2020, we filed around 950 new patents worldwide. The Patent Asset Index, a method that compares patent portfolios, once again ranked us among the leading companies in the chemical industry in 2020.

Our focus areas in research are derived from the three major areas in which chemistry-based innovations will play a key role in the future:

- Resources, environment and climate
- Food and nutrition
- Quality of life

BASF SE had 4,193 employees in research and development in 2020. Spending for research and development amounted to €1,240 million.

¹ The content of this section is voluntary, unaudited information, which was critically read by the auditor.

Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB)

The nonfinancial statement (NFS) of BASF SE in the following is based on the requirements of sections 289b to 289e HGB. One of these requirements is to provide a brief description of BASF SE's business model. Others relate to specific disclosures on nonfinancial matters – environmental matters, employee-related matters, social

matters, respect for human rights as well as anti-corruption and bribery matters – to the extent that they are required to understand the development and performance of the business, BASF SE's position and the impact of business development on these matters.

Business model

BASF SE's business model is presented under "Corporate structure" on page 1 of this Management's Report.

Integration of Sustainability

We are successful in the long term when we create value added for the environment, society and the economy with products, solutions and technologies. Sustainability is firmly anchored in our strategy and corporate governance. We carry out the company purpose “We create chemistry for a sustainable future” using the various tools of our sustainability management. We systematically incorporate sustainability into our business and our assessment, steering and compensation systems. We identify sustainability trends at an early stage and derive appropriate measures for our business to seize new business opportunities and minimize risks along the value chain.

Strategy

We achieve long-term business success by creating value added for the environment, society and the economy. Sustainability is at the core of what we do, a driver for growth and value as well as an element of our risk management. That is why sustainability is firmly anchored into the organization as part of governance, compensation systems and business models.

Based on our corporate strategy and the global targets derived from this, we steer the sustainability targets (CO₂-neutral growth until 2030 and achieve €22 billion in Accelerator sales by 2025) as most important key performance indicators. We have established the necessary steering mechanisms and control systems at Group level. Carbon management bundles our global activities to reduce greenhouse gas emissions (see page 25). We use the Sustainable Solution Steering method to manage our product portfolio (see page 9). To assess the sustainability performance of our products and identify solutions that make a substantial sustainability contribution in the value chain (Accelerator products), we regularly reassess our product portfolio.

In addition to the two climate protection and Accelerator sales targets, we have also set ourselves further sustainability targets on responsible procurement, engaged employees, women in leadership positions, occupational health and safety, process safety and water management.

As a co-founder of the U.N. Global Compact and a recognized LEAD company, we contribute to the implementation of the United Nations' Agenda 2030 on an ongoing basis. Our products, solutions and technologies help to achieve the U.N. Sustainable Development Goals (SDGs), especially SDG 2 (Zero hunger), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 8 (Decent work and economic growth), SDG 9 (Industry, innovation and infrastructure), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). The SDG focus areas are prioritized by internal experts. In doing so, they assess the impacts and positive contributions of our products, our corporate targets and strategic action areas. The contribution of our activities is measured using the Value to Society approach. This assesses our positive and negative impacts on the environment, society and the economy (see page 9 onward).

We evaluate key sustainability topics with our comprehensive materiality analysis. Here, we take into account topics that we have an impact on, topics that have an impact on us, and topics that our stakeholders consider important. The key sustainability topics identified include climate and energy, resource efficiency and waste, health and safety / product stewardship, emissions to air and soil, and responsibility along the value chain. We integrate these material topics into our long-term steering and operational management processes. They are also reflected in the focus areas for our reporting. We continuously monitor and assess emerging sustainability topics so that we can adapt steering and management processes as needed.

Our organizational and management structures

We are constantly working to broaden our positive impact on key sustainability topics and reduce the negative impact of our business activities. The Corporate Development unit, which is part of the Corporate Center, has steered the integration of sustainability into core business activities and decision-making processes since 2020. Global steering of climate-related matters is also bundled in this unit, such as coordinating measures to reach our climate protection target and steering the target on making our product portfolio more sustainable.

The Board of Executive Directors and the Supervisory Board are regularly briefed on the current status of individual sustainability topics. In addition, the Board of Executive Directors is informed about sustainability evaluations in business processes, for example, in the case of proposed investments and acquisitions. It makes decisions with strategic relevance for the Group and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of heads of business and Corporate Center units and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.

We also established an external, independent Stakeholder Advisory Council (SAC) in 2013 and a Human Rights Advisory Council (HRAC) in 2020. In the SAC, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors. The HRAC is led by our Chief Compliance Officer. It comprises external human rights specialists and internal experts, who advise senior management. This helps us to build on our strengths in how we handle human rights and address potential for improvement.

We systematically evaluate sustainability criteria, including the effects of climate change, as an integral part of decisions on acquisitions and investments in property, plant and equipment or financial assets. In this way, we not only assess economic dimensions, but also the potential impacts on areas such as the environment, human

rights or the local community. We evaluate both the potential impacts of our activities as well as which effects we are exposed to.

📄 For more information on our risk management, see page 36 onward

For more information on compensation structures, see the Compensation Report on page 54 onward

📄 For more information on our financial and sustainability targets, see basf.com/strategy

For more information on our material topics, see basf.com/materiality

For more information on the organization of our sustainability management, see basf.com/sustainabilitymanagement

Global standards

Our standards fulfill or exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:

- The 10 principles of the U.N. Global Compact
- The Universal Declaration of Human Rights and the two U.N. Human Rights Covenants
- The core labor standards of the ILO and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration)
- The OECD Guidelines for Multinational Enterprises
- The Responsible Care® Global Charter
- The German Corporate Governance Code

Our nonfinancial reporting is based on Global Reporting Initiative (GRI) standards.

Harnessing business opportunities and measuring value added by sustainability

We take advantage of business opportunities by offering our customers innovative products and solutions that support their sustainability goals. We ensure that the business units automatically evaluate and take into account relevant sustainability criteria when they develop and implement strategies, research projects and innovation processes.

We want to measure the value proposition of our actions along the entire value chain. We are aware that our business activities have an impact on the environment and society, and so we strive to increase the positive contribution and minimize the negative effects of our business activities.

To achieve this, we need to continually improve our understanding of how our actions impact society and the environment. We already have many years of experience of this from evaluating our products and processes using methods such as Eco-Efficiency Analyses, the SEEbalance® Socio-Eco-Efficiency Analysis, our Sustainable Solution Steering portfolio analysis, or BASF's corporate carbon footprint.

BASF also plans to make the individual carbon footprints for around 45,000 sales products available by the end of 2021 with the help of a new, in-house digital solution. Product Carbon Footprints (PCFs) comprise all product-related greenhouse gas emissions that occur

until the BASF product leaves the factory gate for the customer: from the purchased raw material to the use of energy in production processes (Scope 1–3). Calculating PCFs creates transparency for our customers and partners, enabling us to develop plans together to reduce CO₂ emissions along the value chain up to the end product.

We also developed a method together with external experts to perform a monetary assessment of the economic, ecological, and social impacts of our business activities along the value chain – the Value to Society approach. This allows us to compare the significance of financial and nonfinancial effects of our business activities on society and show interdependencies. The results of these assessments are helpful in our discussions with stakeholders.

We share our experiences in networks and initiatives such as the Impact Valuation Roundtable and are involved in the corresponding standardization processes within the International Organization for Standardization (ISO). We are also a founding member of the value balancing alliance e.V. (vba), a cross-industry initiative. The vba is working to develop an accounting and reporting standard that makes the value companies provide to society transparent and comparable. The aim is to present the financial, ecological, and social impacts of business activities on the basis of a standardized framework. The vba is supported by the E.U., major auditing firms, the Organisation for Economic Co-operation and Development (OECD), leading universities and other partners. BASF is currently one of the pilot companies testing the method using its own business data. The vba receives the results of our evaluation to enhance and refine the Value to Society method.

📄 For more information on this method and the results of Value to Society, see basf.com/en/value-to-society

For more information on our sustainability tools, see basf.com/en/measurement-methods

For more information on value balancing alliance e.V., see value-balancing.com

Portfolio management based on sustainability performance

A significant steering tool for the product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method. By the end of the 2020 business year, we had evaluated 98.4%¹ of the relevant portfolio.² This refers to the BASF Group's sales from products in its strategic portfolio to third parties in the business year concerned. By the end of 2020, sustainability analyses and assessments had been conducted for more than 57,000 specific product applications, accounting for €54.1 billion in sales. These consider the products' application in various markets and sectors. New market requirements arise as a result of the continuous development of new product solutions in the industry or changing regulatory frameworks. This has an effect on comparative assessments, which is why we regularly reassess our product portfolio.

Transparently classifying our products on the basis of their contribution to sustainability enables us to systematically improve them. Accelerator products make a substantial sustainability contribution

¹ Parts of the relevant portfolio have not yet been evaluated, including the integrated polyamide business acquired from Solvay in 2020.

² The definition of the relevant portfolio and further information can be found in the Sustainable Solution Steering manual at basf.com/en/sustainable-solution-steering

in the value chain. These include catalysts that reduce emissions to the environment, biodegradable mulch films for agricultural applications, and high-performance insulation materials for higher energy savings and reduced material use in building construction. Based on our corporate strategy, we have set ourselves a global target: We aim to make sustainability an even greater part of our innovation power and achieve €22 billion in Accelerator sales by 2025.

In 2020, we generated sales of €16.7 billion with Accelerator products (2019: €15.0 billion). Accelerator products account for 30.9% of the evaluated relevant portfolio. Performer products account for 56.4% and Transitioner products for 12.6% of the solutions assessed. Sales of Accelerator products rose by 11% compared with the previous year. This is primarily attributable to the positive development of Accelerator sales in the Surface Technologies and Agricultural Solutions segments. In the Agricultural Solutions segment, the first-time assessment of the seed business acquired from Bayer contributed to the increase.

If, during reassessment of our portfolio, we identify products with substantial sustainability concerns, we classify these as “Challenged.” Challenged products account for around 0.1% of the evaluated relevant portfolio. We develop and implement action plans for all products in this category. These include research projects and reformulations to optimize products, or even replacing the product with an alternative.

To systematically align our portfolio with contributions to sustainability, as of 2018, we will phase out all Challenged products within five years of initial classification as such at the latest. We strive to offer products that make a greater contribution to sustainability in their area of application to live up to our own commitments and meet our customers’ demands. This is why our Sustainable Solution Steering method is used in areas such as our research and development pipeline, in business strategies as well as in merger and acquisition projects.

For more information on Sustainable Solution Steering, see basf.com/en/sustainable-solution-steering

The circular economy at BASF

The circular economy model has gained importance in politics, industry and society in recent years. It describes the transition from a linear “take-make-dispose” model to a system of closed loops. We want to actively drive this transition forward and make our value chains, processes, products and business models more circular. By 2030, we want to double our sales of solutions for the circular economy to €17 billion. Sales of circular solutions include products based on renewable or recycled raw materials, that close new material cycles or increase products’ resource efficiency or service life. In addition, we aim to process 250,000 metric tons of recycled and waste-based raw materials in our production plants annually from 2025, replacing fossil raw materials.

The core elements of a circular economy include reusing resources, avoiding waste and optimizing product features with respect to the entire product life cycle. BASF’s Circular Economy Program focuses on three action areas: increasing the use of recycled and renewable feedstocks, innovative material cycles and new business models for the circular economy, including digital and service-based models.

We are driving forward the use of recycled raw materials with projects such as ChemCycling™, in which we use the pyrolysis oil extracted by our technology partners from mixed plastic waste or used tires to produce new products. The project is currently in the scale-up phase. We already have many years’ experience in the industrial recycling of mobile emissions catalysts, where we recover precious metals and use them to produce new mobile and process emissions catalysts. We are working on other innovative material cycles in over 20 initiatives. These include our chemical recycling process for used polyurethane foam mattresses and the development of plastic additives to improve the quality of mechanically recycled plastics. In addition to these projects, we established a Group-wide co-funding program for circular economy projects. It supports our employees in developing new business models for the circular economy – from the initial idea to market launch. The program aims to create additional products and solutions that close loops, establish new loops or extend the life of a product.

Our circular feedstock target is part of our commitment to the Ellen MacArthur Foundation’s New Plastics Economy initiative. This explores the design, use and reuse of plastics in the transition toward a circular economy. BASF has been a member of the non-profit organization since 2017 and is working on various cooperative projects together with other members. In 2020, we were in continual contact with the Ellen MacArthur Foundation on topics such as our target on the use of recycled raw materials or the mass balance approach. We support the responsible use of plastics and are a co-founder and active member of the Alliance to End Plastic Waste (AEPW) to help effectively reduce plastic pollution around the world.

For more information on the Alliance to End Plastic Waste, see page 26

For more information on the ChemCycling™ project, see basf.com/en/chemcycling

For more information on the circular economy at BASF, see basf.com/circular-economy

Stakeholder engagement

Our stakeholders include customers, employees, partners and suppliers, investors, representatives from academia, industry, politics and society, as well as from the communities surrounding our production sites. Parts of our business activities, such as the use of certain new technologies or our environmental impacts, are often viewed by stakeholders with a critical eye. We take these questions seriously, initiate dialogs and participate in discussions. Such ongoing exchange with our stakeholders helps us to even better understand what matters to groups of society, what they expect of us and which measures we need to pursue in order to establish and maintain trust, build partnerships, and increase societal acceptance for and the sustainability of our business activities. In doing so, we want to harness potential for mutual value creation and strengthen the legitimacy of our business activities – our license to operate. For important topics, we systematically identify key stakeholders at an early stage to discuss critical questions with them. Relevant considerations include their topic-specific expertise and willingness to engage in constructive dialog.

BASF was awarded the 2020 CSR Prize by the German federal government, which highlighted BASF's long-standing commitment to CSR (corporate social responsibility) and its comprehensive sustainability strategy. In its justification, it emphasized BASF's pioneering role, particularly in integrated reporting and the disclosure of CO₂ emissions, and the fact that BASF also encourages the implementation of sustainability at other companies in the industry through transparency.

In 2020, we once again met with the Stakeholder Advisory Council to discuss important aspects of sustainability. The main topics were climate protection, circular economy and sustainable finance. The Human Rights Advisory Council discussed impacts on selected aspects of our products' value chains and interacting with vulnerable groups.

Our political advocacy is conducted in accordance with transparent guidelines and our publicly stated positions. The same applies to our activities in associations. For instance, we published an Industry Associations Review comparing the energy and climate protection positions of BASF and the most important associations of which we are a member, with explanations on our approach.

We have a particular responsibility toward our production sites' neighbors. With the established community advisory panels, we promote open exchange between citizens and our site management and strengthen trust in our activities. Our globally binding requirements for community advisory panels are based on the grievance mechanism standards in the United Nations' Guiding Principles on Business and Human Rights. We keep track of their implementation through the existing global databank of the Responsible Care Management System.

BASF SE's Ludwigshafen site is located in the immediate vicinity of the surrounding residential areas. This is why having a relationship of trust with our community is particularly important to us. We therefore established regular community advisory panels and dialog forums such as meetings with local council members and representatives from the districts of Ludwigshafen, Mannheim and Frankenthal surrounding the Ludwigshafen site in Germany to promote dialog between the public, politics and site management. Some of these meetings were held virtually in 2020 because of the coronavirus pandemic. We also hold information stands at specific events or invite our neighbors to tour our sites. For example, a new event format – *Auf einen Espresso mit...* ("An espresso with...") – was introduced in 2019 as part of BASF's Open-house Saturdays, at which community members can talk with experts to find out first-hand about topics such as research, sustainability and safety.

Surveys conducted in the community surrounding our site show that our neighbors expect to be promptly informed in the case of an incident. We are increasingly using social media here. For example, a messaging service to provide information about incidents relevant to the local community, among other tools. In Ludwigshafen, residents with questions or complaints can also call the environmental monitoring center (available around the clock) or the public hotline in the event of an incident.

We use digital formats to initiate dialog on sustainability topics with digital stakeholders. The first Climathon was held in November 2020 as an initiative for employees. During the one-day hackathon, teams of (IT) experts developed digital solutions for sustainability issues, from calculating personal carbon footprints to supporting customer-focused business ideas.

 For more information on stakeholder dialog, see basf.com/en/stakeholder-dialog

For more information on BASF as a good neighbor, see ludwigshafen.basf.de/neighbor

Responsibility for human rights

BASF acknowledges its responsibility to respect internationally recognized human rights. For many years now, we have engaged in constructive dialog on human rights with other companies, non-governmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI), a group of globally operating companies from various sectors. The initiative aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. We are confronted by the fact that there are states that do not honor their obligation to protect human rights. People are particularly at risk in such countries and companies' ability to act is often limited. Nevertheless, we are committed to our values – including and especially there – and contribute to the respect of human rights.

We have embedded this into our Code of Conduct and our human rights position (for more information, see page 51). All employees and members of management bodies are responsible for ensuring that we act in accordance with our Code of Conduct and our human rights position. We uphold our standards worldwide, including where they exceed local legal requirements. We avoid causing or contributing to adverse human rights impacts through our own operations.

Our Corporate Compliance unit is responsible for steering human rights topics and developing binding policies. A group of internal experts from various specialist units – environment, health and safety, sustainability, legal, procurement, human resources and supply chain – and the operating divisions works closely together to coordinate measures across units. This expert working group provides support and advice in challenging and critical situations, on the development of internal processes, and on the creation of information and training offerings, among other things. Together with our Human Rights Advisory Council, it ensures that we can meet our due diligence obligations.

We established the Human Rights Advisory Council to systematically integrate external expertise. Its members include independent international human rights experts. The trust-based dialog on human rights topics helps us to better understand critical perspectives and to deal more openly with dilemmas. At the same time, the renowned external experts show us where we have potential for improvement and help us to build on our strengths in how we handle human rights. The council is chaired by our Chief Compliance Officer. Meetings are also attended by employees from Corporate Sustainability and Corporate Compliance. Other representatives, for example, from the operating divisions or procurement, are invited depending on the focus topics. Its composition allows the Human Rights Advisory Council to provide an external perspective on our processes and contribute this in discussions with senior management. Similarly, the Stakeholder Advisory Council brings outside views to discussions with the Board of Executive Directors. We see assuming our human rights responsibilities as a continuous process. This is why we continuously review our policies and processes and update them if necessary.

In 2020, we conducted a comprehensive review of our human rights management system and the related processes. The review showed that we have achieved important milestones in the area of human rights and in terms of our due diligence processes. These include the introduction of explicit questions on due diligence aspects in the risk analyses conducted by business units, standard supplier assessments or evaluations of investment projects. The analysis, which was discussed with the Board of Executive Directors, did however also reveal potential for improvement that we have ambitions to pursue, such as awareness of human rights topics within our organization. Continued efforts are needed to help all employees better understand how these topics are relevant to our daily work. In addition, we want to expand our due diligence process to more

effectively identify challenges at different stages of our value chain. A human rights risk assessment is to be more systematically incorporated into strategy development for our procurement units. We also want to further strengthen our grievance mechanisms and introduce a standardized global hotline and reporting system in 2021. In consultation with the Human Rights Advisory Council, Corporate Compliance is developing specific measures for improvement together with the expert group and the relevant units. Awareness-raising measures are currently being developed, including training concepts and content to make employees more conscious of human rights.

We want to ensure that our actions do not have a negative impact on human rights. We have long used monitoring and management systems to identify potential and actual negative impacts. Our measures and criteria for monitoring and observing human rights are integrated into supplier assessment processes and our global monitoring systems for environmental protection, safety and security, health protection and product stewardship. They are also integrated into the evaluation of investment, acquisition and divestiture projects, assessments along the product life cycle, and systems to monitor labor and social standards. Aspects of human rights related to site security, such as the right to liberty and security of person, are a component of the global qualification requirements of our security personnel. Respect for human rights is a mandatory element of any contract with service providers of the BASF Group who are active in this area.

As an international company, we are a part of society in the countries in which we operate and have business relationships with different partners around the world. We have trustful working relationships with our partners (joint venture partners, contractors, suppliers, and customers), expect them to comply with internationally recognized human rights standards and to demand the same of their partners further along the value chain. For instance, we contractually agreed with our two joint venture partners in the Chinese region of Xinjiang that the basis for joint activities is the BASF Code of Conduct and the requirements embedded in it to respect human rights and relevant labor and social standards (such as the exclusion of forced labor and discrimination in hiring, promotion and dismissal practices). We review this on a regular basis with audits. The most recent audits on compliance with labor and social standards at our joint ventures were performed in the first half of 2020, despite the challenges posed by the coronavirus pandemic. The audits were conducted with the support of a well-known external auditor. They reviewed the implementation of measures agreed in previous internal audits and again verified compliance with BASF's requirements regarding international labor and social standards.

We support our partners in their efforts to meet their respective responsibilities. This is because we can only meet our goal of eradicating human rights abuses along our value chains if we work together. We have defined our expectations in a binding Supplier Code of Conduct.

Employees and third parties around the world can report potential violations of laws or company guidelines to our compliance hotlines. Since 2020, employees have also been able to contact specialists directly via a new internal online platform or the corresponding app. In 2020, 261 human rights-related complaints were received by phone as well as by post and e-mail. All complaints received were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken.

We report on our global targets, monitoring systems and measures to integrate human rights topics into our business activities in publications such as this report and online.

For more information on our fundamental principles, see our human rights position at basf.com/humanrights

Social engagement

Through our social engagement, we want to take into account the needs of the communities surrounding our production sites worldwide, help achieve the United Nations' Sustainable Development Goals (SDGs), and have a positive long-term impact on the environment and society. This is why social engagement is a cornerstone of our corporate social responsibility. Our social engagement policy was updated in 2020 and provides the guardrails for our activities. It stipulates that all social engagement measures worldwide must be conducted in line with our compliance policy, BASF's strategy and our sustainability commitments. We want to have a positive impact on society in our three focus areas: future health, future skills and future resources. We support projects that aim to have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and BASF.

As a responsible neighbor at our Ludwigshafen site and a partner in the Rhine-Neckar metropolitan region, our social engagement in Germany includes strengthening participation and integration of disadvantaged groups as well as promoting research and discovery. It is particularly important to us that we work together with our partners to increase the impact of individual measures. In the project *#WirGestaltenSchule*, for example, we are working with our partners to improve education equality. We promote cooperation between nonprofit organizations with the *Gemeinsam Neues schaffen* program.

We are a member of Wissensfabrik – Unternehmen für Deutschland e.V., a network of over 130 companies and organizations with close links to business that supports children, young people, students and young entrepreneurs through its involvement with educational institutions and start-ups. The focus is on school projects that provide hands-on experience with STEM (science, technology, engineering and mathematics). Due to the coronavirus pandemic, the project's initiatives (such as *IT2School – Gemeinsam IT entdecken* and *KiTec – Kinder entdecken Technik*) were also offered in digital formats, allowing these educational programs to continue even as school operations were restricted.

We foster societal integration, particularly of low-achieving young people and refugees, with our *Start in den Beruf* and *Start Integration* programs (for more information, see page 33).

We aim to create long-term value for BASF and society with new business models and cross-sector partnerships. Our Starting Ventures program helps people with precarious livelihoods to improve their income-earning opportunities and their quality of life. At the same time, the program provides access to new markets and partners, and strengthens our contribution to reaching the SDGs.

In the area of international development work, we support BASF Stiftung, an independent nonprofit organization, with donations for its projects with various U.N. organizations. The 2020 year-end donation campaign in favor of BASF Stiftung supported the United Nations World Food Programme's (WFP) efforts to deliver humanitarian food aid in Yemen. A total of around €396,600 was raised for WFP from donations by the employees of participating German Group companies and BASF. A donation of €65 can feed a family in Yemen for one month. The BASF Group spent around €76 million on social engagement activities in 2020.¹

For more information on BASF's commitment to the region, see ludwigshafen.basf.de/commitment
For more information on BASF as a good neighbor, see ludwigshafen.basf.de/neighbor
For more information on our social engagement around the world, see basf.com/en/engagement

Our aid measures during the coronavirus pandemic

Civil society, government, business and the nonprofit sector must work closely together to overcome the coronavirus pandemic. Our Helping Hands aid campaign contributed to the fight against the novel coronavirus – as part of society, as a partner at our sites and as an international company. We used our expertise in research, production, procurement and logistics to help during the crisis.

Our activities to fight the coronavirus were wide-ranging: We produced and donated disinfectant, supplied personal protective equipment, supported medical facilities and food bank initiatives, and contributed our expertise to medical research.

We modified a number of our production plants within a very short period of time to manufacture urgently needed disinfectants – products that are not usually part of BASF's portfolio. Our employees helped to alleviate local bottlenecks with their team spirit and great flexibility. In Germany, for instance, disinfectant was donated to hospitals, medical workers, care homes, local government, educational institutions and nonprofit initiatives such as UNO-Flüchtlingshilfe, the German partner of the U.N. refugee agency.

Given the strained supply situation at the beginning of the pandemic, we used our procurement networks to purchase more than 100 million protective masks and donate these to the Federal Republic of Germany and the state of Rhineland-Palatinate.

¹ As of 2020, we report a total figure for our social engagement activities. The figure includes all consolidated companies with employees, including joint operations. A large part of the expenses in 2020 related to activities in connection with the Helping Hands initiative.

Together, BASF SE and BASF Stiftung also established assistance initiatives and programs for those in need. An assistance fund focused on organizations that provide and distribute food to those in need. Other institutions, individuals and BASF employees could also donate to the fund. BASF Stiftung provided assistance to those who have suffered long-term loss of income due to COVID-19 illness or whose households were in financial distress as a result of the pandemic.

We also made our expertise and infrastructure available for research into the virus, for example, in the search for active ingredients to treat COVID-19 patients. Our supercomputer Quriosity identified and optimized promising molecules for public research projects.

Supplier Management

BASF sources a wide range of raw materials, technical goods and services. Our suppliers are an important part of our value chain. Our objective is to secure competitive advantages for BASF through our professional procurement structures. At the same time, together with our suppliers, we want to improve sustainability in the supply chain and minimize risks.

Strategy

Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, technical goods and services at competitive prices.¹ We work together in an open and transparent way to generate long-term benefits for both sides.

Our sustainability-oriented supply chain management helps to manage risks. We have defined our standards and processes in global guidelines and are constantly refining and optimizing these. Our risk-based approach aims to identify and evaluate sustainability risks in our value chains as best possible to improve sustainability together with our suppliers. We regularly review and document progress based on the risk level. Employees with procurement responsibility receive ongoing training in sustainability-oriented supplier management and responsible procurement. In 2020, 462 BASF employees received such training.

Our expectations of our suppliers are laid down in the global Supplier Code of Conduct. This clarifies for our suppliers the standards to be met and supports them in carrying out our requirements. We count on reliable supply relationships and want to make our suppliers' contribution to sustainable development visible to us.

We actively promote sustainability in the supply chain and have set ourselves ambitious targets for this: By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend² and will develop action plans where improvement is necessary. In addition, we are working toward having 80% of suppliers improve their sustainability performance upon re-evaluation by 2025. In 2020, 80% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2020, 68% had improved. The global targets are embedded in the target agreements of persons responsible for procurement.

 For more information on suppliers, see basf.com/suppliers

Worldwide procurement

BASF SE's more than 9,000 Tier 1 suppliers play an important role in value creation at our company. We work in long-term partnership with companies from different industries around the world. They supply us with raw materials, precursors, investment goods and consumables, perform a range of services and are innovation partners. Procurement management systems such as guidelines and targets are set centrally and are binding for all employees with procurement responsibility worldwide.

BASF SE acquired raw materials, goods and services for our own production worth approximately €6.5 billion in 2020. There were no substantial changes to our supplier structure.

What we expect from our suppliers

Together with our suppliers, we want to improve sustainability in the supply chain. Consequently, we expect our suppliers to comply with the applicable laws in full and to adhere to internationally recognized environmental, social and corporate governance standards. We also expect our suppliers to make an effort to implement these standards at their suppliers. In addition, we ask our suppliers to acknowledge, support and abide by our Supplier Code of Conduct – or to demonstrate and ensure their commitment to the principles specified in the Code of Conduct, for example in their own code of conduct. Our Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care initiative. Topics covered by the Code of Conduct include compliance with human rights, the exclusion of child and forced labor, safeguarding labor and social standards, and antidiscrimination and anticorruption policies in addition to protecting the environment. The Code of Conduct is available in the most relevant languages for our suppliers and is integrated into electronic ordering systems and purchasing conditions across the Group. In 2020, 4,918 new suppliers committed to our Code of Conduct Group-wide.

BASF reserves the right to conduct audits or evaluations to ensure that suppliers comply with the applicable laws, rules and standards. In addition, BASF reserves the right to discontinue business relationships for non-adherence to international principles, failure to correct violations, or for displaying patterns of non-compliance with these standards. Potential violations of laws, rules or standards can be reported – including anonymously – to one of our more than 50 externally operated hotlines worldwide. Each case is documented and investigated, and appropriate measures are taken as necessary.

 For more information on the Supplier Code of Conduct, see basf.com/suppliers

¹ BASF considers all direct suppliers of BASF SE in the business year concerned as Tier 1 suppliers. These are suppliers that provide us with raw materials, investment goods, consumables and services. Suppliers can be natural persons, companies or legal persons under public law.

² We understand relevant spend as procurement volumes with relevant suppliers. We define relevant suppliers as Tier 1 suppliers showing an elevated sustainability risk potential as identified by our risk matrices, our purchasers' assessments or other sources.

Selection and evaluation of our suppliers

New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also environmental, social and corporate governance standards. As such, the selection, evaluation and auditing of suppliers is an important part of our sustainable supply chain management. Approaches and responsibilities are set out in a global Group requirement. Due to the size and scale of our supplier portfolio, our suppliers are evaluated based on risk, including materiality and country and industry-specific risks. We also use observations from our employees in procurement and information from internal and external databases, such as Together for Sustainability (TfS) assessments.

We have suppliers with a high potential sustainability risk evaluated by third parties, either through sustainability evaluations or on-site audits. The list of suppliers to be assessed is updated every year. Sustainability evaluations and on-site audits are mainly conducted according to the TfS framework. A total of 50 raw material supplier sites were audited on sustainability standards on our behalf in 2020. We received sustainability evaluations for 628 suppliers. We also take into account other certification systems and external audits, such as from the Roundtable on Sustainable Palm Oil, when evaluating our suppliers' sustainability performance. Depending on business requirements, we additionally conduct our own Responsible Care audits at selected suppliers (see page 17).

 For more information on Together for Sustainability, see basf.com/en/together-for-sustainability

Audit results

We carefully analyze the results of sustainability evaluations and on-site audits and document these in a central database. The supplier audits conducted over the past few years have identified some need for adjustment with respect to environmental, social and corporate governance standards, for example in waste management or deviations in occupational health and safety measures and standards under labor law. Follow-up audits in 2020 identified improvements, for example the correct storage of hazardous substances, proper disposal of waste, the implementation of occupational and process safety measures, the correct implementation of emergency plans, and compliance with labor law requirements. In 2020, none of our audits identified any instances of child labor or dangerous work and overtime performed by persons under 18.

Supplier development

Using TfS evaluations, we pursue a risk-oriented approach with clearly defined, BASF-specific follow-up processes. If we identify deviations from our standards, we ask our suppliers to develop and implement corrective measures within a reasonable time frame. We support them in their efforts, for example by providing training on environmental, social and corporate governance topics. We trained employees from 43 Chinese suppliers in 2020 as part of a partnership with the East China University of Science and Technology in Shanghai, China.

As part of TfS, training was developed for suppliers that already have a sustainability rating but have potential for improvement in environmental, social and corporate governance. In 2020, more than 1,000 participants attended TfS training on this topic in China and Brazil. The TfS Supplier Academy is also developing training opportunities for our suppliers around the world. These will be implemented in 2021.

We review our suppliers' progress according to a defined timeframe based on the sustainability risk identified, or after five years at the latest. In the case of ongoing, serious violations of the standards defined in our Supplier Code of Conduct or international principles, we reserve the right to impose commercial sanctions. These can go as far as termination of the business relationship. In 2020, this was decided in four cases.

Environmental Protection, Health and Safety

Responsible Care Management System

Protecting people and the environment is our top priority. Our core business – the development, production, processing and transportation of chemicals – demands a responsible approach. We address environmental, health and safety risks with a comprehensive Responsible Care Management System. We expect our employees and contractors to know the risks of working with our products, substances and plants and to handle these responsibly.

Responsible Care Management System

BASF is actively involved in the International Council of Chemical Associations' (ICCA) Responsible Care® initiative and has endorsed the Responsible Care® Global Charter. Our Responsible Care Management System comprises the global directives, standards and procedures for environmental protection, health and safety (EHS) for the various steps along our value chain. Our regulations cover the transportation of raw materials, activities at our sites and warehouses, and distribution of our products as well as our customers' application of the products. Specifications for implementing these measures are laid out in binding directives that are introduced in consultation with employee representatives. These describe responsibilities, requirements and assessment methods. The Environmental Protection, Health & Safety unit in the Corporate Center defines Group-wide management and control systems and monitors compliance with internal guidelines and legal regulations, while the sites and legal entities implement these requirements locally. Our policies and requirements are continuously updated. This is why we also maintain dialog with government institutions, associations and international organizations.

We have set ourselves ambitious goals for environmental protection, health and safety and regularly review our performance and progress with audits. We assess the potential risks and weaknesses of all our activities – from research and production to logistics – and the effects of these on the safety and security of our employees, the environment or our surroundings. We use databases to document accidents, near misses and safety-related incidents at our sites as well as along our transportation routes to learn from these; appropriate measures are derived according to specific cause analyses.

For more information on Responsible Care®, see basf.com/en/responsible-care

Audits

Regular audits help ensure that our safety, health and environmental protection standards are met. We take a risk-based approach and use an audit database to ensure that all plants are regularly audited. We have defined our regulations for Responsible Care audits in a global Corporate Requirement. During our audits, we create a safety and environmental profile that shows if we are properly addressing the existing hazard potential. If this is not the case, we agree on measures and monitor their implementation, for example, with follow-up audits.

Our Responsible Care audit system complies with the ISO 19011 standard and is certified according to ISO 9001.

At BASF SE in 2020, environmental and safety audits were carried out at 35 plants, along with 11 short-notice audits on various topics at 10 plants and one construction project.

For more information on occupational safety and health protection, see page 18 onward

Costs and provisions for environmental protection at BASF SE

| Million € | 2020 | 2019 |
|---|------|------|
| Operating costs for environmental protection | 520 | 493 |
| Investments in new and improved environmental protection plants and facilities ¹ | 141 | 217 |
| Provisions for environmental protection measures and remediation ² | 220 | 204 |

¹ Investments comprise end-of-pipe measures as well as integrated environmental protection measures.

² Values shown refer to December 31 of the respective year.

For more information, see the Notes on pages 89 and 100

Safety and security

For occupational and process safety as well as health and environmental protection and corporate security, we rely on comprehensive preventive measures and expect the cooperation of all employees and contractors. Our global safety and security concepts serve to protect our employees, contractors and neighbors, to prevent property and environmental damage, and to protect information and company assets.

Strategy

The safety of our employees, contractors and neighbors, and protecting the environment is our top priority. This is why we have set ourselves ambitious goals for occupational and process safety as well as health protection.

We stipulate mandatory standards for safety and security as well as environmental and health protection. A network of experts ensures these are implemented. As part of our continuous improvement process, we regularly monitor progress toward our goals.

We promote risk awareness for every individual with measures such as systematic hazard assessments, specific and ongoing qualification measures and safety initiatives.

We analyze accidents and incidents as well as their causes and consequences in detail at a global level to learn from these. Hazard assessments and the risk minimization measures derived from them are an important prevention tool. We also promote regular dialog across different sites to strengthen risk awareness among our employees and contractors, to learn from examples of good practice and in this way, continually develop our safety culture.

By the end of 2020, we had introduced digital solutions and applications at around 250 plants worldwide to further increase safety, security, planning capability and availability. We plan to implement these at around another 170 plants by 2022. Such solutions include augmented reality: At many sites, our employees already use mobile end devices and special apps for day-to-day tasks such as safety inspections, which continuously improves the efficiency and quality of our processes. Other applications include efficiently simulating maintenance and production processes in digital plant models and predictive maintenance. At the Ludwigshafen site in Germany, for example, over 40 plants already use predictive maintenance models to monitor plant components such as compressors, pumps or heat exchangers.

Leaders are important role models for employees, which is why environmental protection, health, safety and security are discussed with newly appointed senior executives. Senior executives with a particular responsibility for such topics, for example, in production, also receive specific further training to be able to meet their responsibilities. Due to the restrictions caused by the coronavirus pandemic, not all seminars for senior executives could be held in

2020. Consequently, additional digital solutions will be offered in 2021.

Global safety initiative

Our global safety initiative was established in 2008 and plays a key role in the ongoing development of our safety culture. The BASF Group's Global Safety Days took place virtually for the first time in 2020 with decentralized events.

Employees from the Ludwigshafen site in Germany attended virtual workshops on safety topics from home based on the motto "Halt! Safety champions pause for safety." The Safety Champions Team Award for Ludwigshafen was also presented digitally. Projects from Schwarzheide, Germany, and Antwerp, Belgium, were included for the first time. This competition gives all employees the opportunity to promote their creative ideas and successful projects to improve safety work, and share their solutions. The winning team proposed a mobile safety device that helps to increase safety at large on-site construction sites in a simple way.

All safety days events were held online in the interest of our employees' health, giving them the opportunity to find out about safety-related topics and to learn from each other. This involvement and lively discussion, even in times of a pandemic, make a major contribution to our safety culture.

For more information on the safety initiative, see basf.com/global-safety-initiative

Occupational safety

Our aim is to reduce the worldwide lost-time injury rate to no more than 0.1 per 200,000 working hours¹ by 2025. To prevent work-related accidents, we encourage and promote risk-conscious behavior and safe working practices for every individual, learning from incidents and regular discussion. We are constantly refining and enhancing our requirements and training.

We are working on introducing and further rolling out targeted, tracked site-wide measures as part of our "One Safety" program. These include systematically tracking incidents with high hazard potential, which was introduced in 2017, for example by having site management representatives specifically visit the relevant plants, as far as possible under coronavirus restrictions, and the initiatives "Learn from each other" and "Always Safe!"

In addition to the legally required briefings, BASF requires new employees and contractors to complete compulsory safety training, as well as regular training on the safe handling of chemicals and the correct use of personal protective equipment for employees at our production sites. Our own training center in Ludwigshafen, Germany, has offered continuous further training on diverse safety and security topics for employees and contractors since 2010. Some 2,800 participants received training there in 2020.

¹ Hours worked by BASF employees, temporary employees and contractors

Digitalization and the associated innovative technologies also open up numerous new opportunities for us to improve occupational safety and make safety training more realistic and effective.

In 2020, BASF SE recorded 0.6 work-related accidents per 200,000 working hours (2019: 0.5). The proportion of chemical-related accidents was 3% (2019: 5%). There were no fatal work-related accidents at BASF SE in 2020 (2019: 0).

For more information on occupational safety, see basf.com/occupational_safety

Process safety

Process safety is a core part of safe, effective and thus sustainable production. We meet high safety standards in the planning, construction and operation of our plants. These meet and, in some cases, go beyond local legal requirements. Our standards provide the framework for the safe construction and operation of our plants as well as the protection of people and the environment. Our experts have developed a plant safety concept and implementation check for every plant that considers the key aspects of safety, health and environmental protection – from conception to startup – and stipulates specific protection measures.

In order to maintain the highest level of safety at our plants across their entire life cycles, we verify that our protection concepts, safety reviews and resulting safety measures have been carried out in all our plants at timely intervals based on risk potential. We regularly update our plants' safety and security concepts in line with changing technologies and as necessary.

We use the number of process safety incidents (PSI) per 200,000 working hours¹ as a reporting indicator. We have set ourselves the goal of reducing process safety incidents to a rate of no more than 0.1 per 200,000 working hours by 2025. In 2020, BASF SE recorded 0.4 process safety incidents per 200,000 working hours (2019: 0.4). We investigate every incident in detail, even under the constraints of the coronavirus pandemic, analyze causes and use the findings to derive suitable measures. We share the findings in our network in the interest of continuous improvement.

Around the world, we promote the reduction of process safety incidents and improve risk awareness with a culture of dealing openly with mistakes and initiatives to foster dialog around potential safety risks. In 2020, plants independently continued the PSI reduction initiative, which was launched several years ago, with the same objectives as last year. Our dynamic obligations as an operator to regularly review hazards and risk assessments, and to adapt safety concepts as appropriate, were also reflected in the control meeting held in 2020. This meeting serves as an additional tool alongside the regular revalidation of safety concepts to foster site-wide dialog across plants. It also takes into account lessons learned from external incidents.

In addition, we are continually refining and expanding our training methods and offerings to increase risk awareness. Due to the

restrictions associated with the coronavirus pandemic, in-person seminars were also held as virtual meetings or taught using web-based applications in 2020.

We are constantly working to increase the availability of our plants and determine the right point in time for maintenance measures and revamping/refurbishment. The objective is to further reduce unscheduled shutdowns.

For more information on process safety, see basf.com/process_safety

Health protection

The Corporate Health Management department is responsible for occupational health and emergency medical treatment for BASF employees at the Ludwigshafen site in Germany, as well as global coordination and auditing of occupational health activities at BASF Group companies worldwide. It has been recognized by the employers' liability insurance association as a training facility for occupational first aiders.

Our health management serves to maintain and promote the health and productivity of our employees. Our standards for occupational health are specified in a requirement. A global network of experts provide implementation support. Compliance with these standards is also monitored with regular audits at the Ludwigshafen site.

To practice collaboration between the various BASF emergency response teams, one mass casualty incident drill was conducted in 2020 (2019: 3), which physicians, paramedics and other experts from the medical department participated in. In addition, more than 1,900 participants (2019: 3,000) received first aid or refresher training from certified instructors from the site emergency services team in 2020.

We offer our employees a comprehensive range of medical services from preventive programs and emergency care to health promotion initiatives. We systematically raise awareness of health topics with target group-specific offerings. The BASF health checks form the foundation of our global health promotion program and are offered to employees at regular intervals.

We measure our performance in health protection using the Health Performance Index (HPI). This has five components: recognized occupational diseases, medical emergency drills, first aid, preventive medicine and health promotion. Each component contributes a maximum of 0.2 to the total score, meaning that the highest possible score is 1.0. We aim to reach a value of more than 0.9 every year. With an HPI of 0.92, we once again reached this target in 2020 (2019: 0.97). The figure is slightly lower than in previous years due to the coronavirus pandemic, as a result of which a number of criteria crucial to the HPI could not be fully met. For instance, activities that required physical participation such as emergency drills, examinations or first aider training could not be held on the usual scale.

¹ Hours worked by BASF employees, temporary employees and contractors

The coronavirus pandemic also made many health protection measures necessary in 2020. By activating our long-established pandemic preparedness plan, sharing expertise within the global BASF medical network, and collaborating closely with authorities, employee representatives and our partners, it was possible to make sound, up-to-date decisions adapted to the current situation, and to implement them successfully. Our actions focused on the health of all of our employees, contractors and third parties. Measures included developing hygiene concepts, tracing and breaking infection chains, and providing information to and raising awareness among employees via the intranet and at the site gates.

In light of the coronavirus pandemic, the annual global health campaign on the theme “Protect yourself and others – stay healthy in 2020” was developed at short notice. The focus was on preventive hygiene measures, vaccinations and preventing infection. There were also special offerings on remote working, such as videos and online consultations on nutrition, exercise/ergonomics and psychological stress. Another focus in 2020 was on influenza prevention. As part of the vaccination campaign at the Ludwigshafen site, around 10,000 employees were vaccinated against the seasonal influenza – around three times more than in previous years.

For more information on occupational medicine, health promotion campaigns and the HPI, see basf.com/health

Emergency response, corporate security and cybersecurity

We are well prepared for crisis situations thanks to the global crisis management system established by the BASF Group, which is also used at BASF SE. In the event of a crisis, our emergency response plans and crisis management structures are engaged, depending on the impact scope. We involve situation-related partners and suppliers as well as cities, communities and neighboring companies. An IT system to support emergency response helps us to speed up communication between the relevant players in the event of a crisis and maintain the best possible overview of the situation. This enables the crisis management team to record and process events better and in more detail.

We regularly check our emergency systems, crisis management structures and drill procedures with employees, contractors, local authorities and emergency rescue workers. In 2020, we conducted 176 drills and simulations in Ludwigshafen, Germany, to instruct participants on our emergency response measures according to their specific roles.

We inform business travelers and transferees about appropriate protection measures prior to and during travel in countries with elevated security risks. After any major incident, we can use a standardized global travel system to locate and contact employees in the affected regions.

We protect our employees, sites, plants and company know-how against third-party interference. This includes, for example, analyzing potential security risks in the communities surrounding our production sites and addressing in depth the issue of cybersecurity. BASF applies the “security by design” principle. As early as the concept phase, all internet of things applications are critically reviewed from a cybersecurity perspective. We are continually developing our ability to prevent, detect and react to security incidents with various measures and training programs. The BASF Group’s global Cyber Security Defense Center also monitors and protects BASF SE’s IT systems against hacker attacks. We cooperate closely with a global, Group-wide network of experts and partners to ensure that we can protect ourselves against cyber-attacks as far as possible. Our IT security system is certified according to ISO 27001:2013. This also includes ISO 27019:2018 for critical infrastructure.

We work to sensitize our employees about protecting information and know-how. For example, we further strengthened our employees’ awareness of risks in 2020 with mandatory online training for all employees and other offerings such as seminars, case studies and interactive training. We have defined mandatory information protection requirements to ensure compliance with our processes for protecting sensitive information and perform audits to monitor this.

For more information on emergency response, see basf.com/emergency_response

Product stewardship

We review the safety of our products from research and development through production and all the way to our customers' application. We continuously work to ensure that our products pose no risk to people or the environment when they are used responsibly and in the manner intended.

Strategy

Product stewardship is of central importance for us. We want to ensure that our products meet our customers' quality expectations and pose no risk to people, animals or the environment when used in the manner intended. We are committed to continuously minimizing the negative effects of our products on the environment, health and safety along the value chain – from development to disposal – and to the ongoing optimization of our products. This commitment to product stewardship is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). Our aim is to comply with all relevant national and international laws and regulations. Our global requirements define rules, processes and responsibilities, for example, to ensure uniformly high product stewardship standards worldwide. In some cases, voluntary initiatives exceed local statutory regulations. We regularly conduct internal audits to monitor compliance with global standards.

We maintain and evaluate environmental, health and safety data for all of our substances and products in a global database. This information is continuously updated. The database forms the basis for our safety data sheets, which we make available to our customers in around 40 languages. These include information on the physical/chemical, toxicological and ecotoxicological properties of products, potential hazards, first aid measures, measures to be taken in the case of accidental release, and disposal. Our global emergency hotline network enables us to provide information around the clock. In order to help users to quickly find out about our products and the risks associated with them, we use the Globally Harmonized System (GHS) to classify and label our products around the world, provided this is legally permissible in the country concerned. We take into account any national or regional modifications within the GHS framework, such as the CLP Regulation in the European Union or HazCom in the United States. We train our employees, customers and logistics partners worldwide on the proper handling and optimal use of selected products with particular hazard potential. In associations and together with other manufacturers, BASF is pushing for the establishment of voluntary global commitments to prevent the misuse of chemicals.

BASF supports the implementation of initiatives such as the Global Product Strategy (GPS) of the ICCA. GPS is establishing worldwide standards and best practices to improve the safety management of chemical substances and to support governments in the introduction of local chemical regulations. We are also involved in initiatives such as workshops and training seminars in emerging markets. In 2020, these included the virtual ASEAN (Association of Southeast Asian Nations) workshop on regulatory cooperation.

 For more information on GPS, see basf.com/en/gps

Global chemicals regulations

Most of the products we manufacture are subject to statutory chemicals regulations. We want to ensure compliance with these. We are bound by the relevant regional and national chemicals regulations, which continue to grow in number worldwide. Examples include REACH in the European Union, TSCA in the United States, KKDİK in Turkey or K-REACH in South Korea. BASF Group companies work closely together with a global network of experts to ensure that BASF complies with the applicable regulations. For example, we submitted the relevant substances to the Turkish authorities in 2020 – an important milestone in the pre-SIEF notification process.¹

After successfully registering all substances in Europe, our REACH activities concentrate on aspects such as dossier evaluation, substance evaluation, authorization and restriction. We are also required to continually update our registration dossiers. To satisfy the complex requirements of REACH, we are in regular contact with suppliers, customers, industry associations and government authorities. For example, BASF is working together with the European Chemicals Agency (ECHA) on a project to improve the quality of REACH dossiers. BASF was one of the first companies to join this industry-wide initiative.

Product stewardship for crop protection products and seeds

Crop protection products and seeds are highly regulated at national and international level, which brings with it strict requirements for registering and re-registering active ingredients and crop systems. Regulatory approval is only granted when extensive documentation can be provided showing that our products are safe for people, animals and the environment. Potential risks are assessed and minimized throughout the research, development and registration process, and on an ongoing basis following successful market registration. We regularly perform a large number of scientific studies and tests to ensure that, as far as possible, our registration dossiers address all questions on potential environmental and health effects.

¹ Pre-SIEF notification for KKDİK, Turkish REACH, is similar but not identical to pre-registration under E.U. REACH. It serves to bring together future registrants for the purposes of joint registration and to enable the creation of a SIEF (substance information exchange forum).

We adapt our portfolio to the specific regional markets as crops, soils, climate conditions, plant diseases and farming practices vary around the world. Consequently, product approvals differ from country to country.

BASF adheres to the International Code of Conduct issued by the World Health Organization (WHO) and the Food and Agriculture Organization (FAO) for the distribution of crop protection products. These are only marketed once they have been approved by the relevant authorities. We want to ensure and meet high safety standards worldwide for our products. This applies in particular to distribution in countries that do not have their own or only low-level regulation for crop protection products, as is the case in many emerging markets. We no longer market WHO Class 1A or 1B products (high acute oral and dermal toxicity). Depending on availability, we offer our customers alternatives.

All of BASF's crop protection products can be used safely under local farming conditions if the information and directions on the label are followed. Customers can contact us directly if they have any questions, complaints or issues, for example, by calling the telephone number printed on product labels, using the contact forms on our websites or by approaching our sales employees directly. We record all products incidents relating to health or the environment in a global database. If necessary, we take appropriate measures in the basis of this information, such as updating the instructions for use on the product label to minimize preventable incidents in the future. We communicate changes to instructions for use through channels such as our Farmer Field School initiatives in Asia and in training programs such as the On-Target Application Academy in the United States or our FarmNetwork Sustainability in Europe.

One of the ways we meet our commitment to product stewardship is by offering a wide range of courses and training on the safe storage and safe use of our products. In India, for example, BASF launched the Suraksha Hamesha program. Suraksha Hamesha means "safety all the time." The program creates a platform for educating farmers and agricultural workers about the nine steps of responsible use of crop protection products and personal protection. Through Suraksha Hamesha, BASF has engaged with around 150,000 agricultural workers and around 29,000 users across India since 2016. BASF also involves government agencies and the central government's farm extension teams in these meetings to support and promote farm safety. We are additionally involved in numerous scientific and public organizations and initiatives. Together, we are working on solutions for sustainable agriculture that meet long-term economic, ecological and social needs.

We also work closely together with associations such as Crop Life International and the European Crop Protection Association (ECPA) to promote the safe and proper use of crop protection products. For example, we support the two associations' safe use initiatives and various programs on the proper disposal and recycling of product containers. Technological innovations developed together with industry partners such as the easyconnect closed transfer system in Europe or the Wisdom system in South America also help to make using crop protection products easier and safer.

Environmental and toxicological testing

Before launching products on the market, we subject them to a variety of environmental and toxicological testing using state-of-the-art knowledge and technology. Animal studies are only conducted when they are required by law, for example as part of REACH, and none of the alternative methods approved by the authorities are available.

We adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world. We develop and are continuously optimizing alternative methods to experimentally assess the safety and tolerance of our products without animal studies. Our aim is to replace, reduce and refine animal studies to minimize the impact on them. We already use alternative methods in more than a third of our toxicological tests. Currently, 35 alternative methods are being used in our labs and another 14 are in the development stage. BASF spent €3.5 million toward this purpose in 2020. The development of alternative methods for testing the potential of substances to induce developmental toxicity has been a focus area of our research since 2017.

Since 2016, BASF SE's Experimental Toxicology and Ecotoxicology department has been working together with a total of 39 partners on one of the largest European collaborative projects for alternative methods. The project, planned to run for six years, aims to develop alternative methods to the point that chemical risk assessments can be efficiently conducted largely without animal testing. We are also involved in initiatives such as the European Partnership for Alternative Approaches to Animal Testing (EPAA) to strengthen the cross-sector development of alternative methods.

Management of new technologies

Nanotechnology and biotechnology offer solutions for key societal challenges – such as environmental and climate protection or health and nutrition. For example, nanomaterials can improve battery performance and biocatalytic methods can improve process resource efficiency. We want to harness the potential of both technologies. Using them safely and responsibly is our top priority.

Safe handling of nanomaterials is stipulated in our Nanotechnology Code of Conduct. In recent years, we have conducted over 250 scientific studies and participated in numerous Verbund projects related to the safety of nanomaterials in Germany and around the world. The results were published in more than 150 scientific articles.

Together with partners from academia and government authorities, we are working on E.U.-funded projects to develop and validate methods for evaluating and grouping nanomaterials without the use of animal studies. In particular, grouping nanoforms can reduce animal testing since individual forms do not have to undergo full toxicological testing – only one or more representative of the entire group. This is why we are developing new methods to group nanomaterials in groups with the same hazard potential in the E.U.'s PATROLS project. In the E.U.'s GRACIOUS project, we are developing concepts for defining and then evaluating the toxicological effects of these groups. In addition, together with the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC), we developed an internet application (NanoApp) and put this online in late November 2020. This makes the concepts developed to date available for the entire industry together with the regulatory requirements. The aim is to simplify the registration of nanomaterial groups under REACH.

Appropriate OECD testing and implementation guidelines must be developed for the new requirements for nanomaterials under REACH, the European chemicals regulation. We support this process by contributing our expertise in various working groups of the European Chemicals Agency (ECHA) and the OECD's Business and Industry Advisory Group (BIAC). Many of the methods developed for nanoparticles could, in our view, also be used to evaluate solid particles in the future, an approach we bring up in regulatory discussions.

BASF makes successful use of biotechnology. We produce a range of products with the help of biotechnological methods. This provides us with extensive experience in their safe use in research and development as well as in production. Biotechnological methods are used to develop and produce products such as natural flavors and fragrances, enzymes and vitamins. Another application is the development of seeds for agriculture. We use both conventional and molecular biological methods to develop plants with improved characteristics, such as greater resistance to drought, pests or the pathogens that cause plant diseases. Tolerance of certain herbicides also secures yields and enables sustainable, no-till crop systems to increase CO₂ retention in the soil. Innovative breeding technologies can play a key role in the sustainable development of agriculture, for example, with varieties that are better adapted to changing environmental conditions or that have higher disease tolerance. In using biotechnology, we want to adhere to all relevant standards and legal regulations governing production and marketing. We are also guided by the code of conduct set out by EuropaBio, the European biotechnology association.

Transportation and storage

Our regulations and measures for transportation and warehouse safety cover the delivery of raw materials, the storage and distribution of chemical products among BASF sites and customers, and the transportation of waste from our sites to the disposal facilities.

Strategy

We want our products to be safely loaded, transported, handled and stored. This is why we depend on reliable logistics partners, global standards and an effective organization. Our goal is to minimize risks along the entire transportation chain – from loading and transportation to unloading. Some of our guidelines for the transportation of dangerous goods go above and beyond national and international dangerous goods requirements. We have defined global guidelines and requirements for the storage of our products and regularly monitor compliance with these through audits and assessments.

Accident prevention and emergency response

We regularly assess the safety and environmental risks of transporting and storing raw materials and sales products with high hazard potential using our global requirement. This is based on the Guidance on Safety Risk Assessment for Chemical Transport Operations published by the European Chemical Industry Council (CEFIC). We also have binding global standards for load safety.

We stipulate worldwide requirements for our logistics service providers and assess them in terms of safety and quality. Our experts use our own evaluation and monitoring tools as well as internationally approved schemes.

Transportation incidents

We are systematically implementing our measures to improve transportation safety. We report in particular on spillages with potentially significant environmental impacts such as dangerous goods leakages of BASF products in excess of 200 kilograms on public traffic routes, provided BASF arranged the transport.

BASF SE recorded one incident in 2020 with spillage of more than 200 kilograms of dangerous goods (2019: 2). This transportation incident did not have a significant impact on the environment (2019: 0).

Securing raw materials supply via the Rhine River

At the Verbund site in Ludwigshafen, Germany, around 50% of incoming volumes are transported to the site by ship under normal conditions. In recent years, hot and dry summers often led to extended low water levels on the Rhine River, temporarily impacting logistics. We are implementing various measures to make the site more resilient to extended low water events in particular. These include a digital early warning system for low water, which was introduced in 2020. This makes it possible to forecast water level trends up to six weeks in advance, which significantly simplifies planning for raw materials supply and alternative transportation routes. We are also working with the German Federal Institute for Hydrology to improve water level forecasts. In addition, we chartered more ships that can navigate low water levels and invested in making loading stations more flexible. Together with partners, we are also developing our own type of ship designed for extreme low-water situations, which should start operation in late 2022. We support the hydraulic engineering measures proposed by the German Federal Ministry of Transport's "Low water on the Rhine" action plan, in particular extending the depth of shipping lanes as part of the "Abladeoptimierung Mittelrhein" project ("Unloading optimization Middle Rhine") to improve long-term shipping conditions on the Rhine. We recorded no extended low water events that significantly restricted our logistics in 2020.

Activities in external networks

We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. Since 2019, our systems can also be consulted for information on the detection of chemical substances in the human body (human biomonitoring).

In 2020, we provided assistance to public emergency response agencies (fire and ambulance services), and other companies in 97 cases (2019: 146). This included information on chemicals and their proper disposal, on-site operational support for transportation accidents involving hazardous goods, or information on human biomonitoring.

For more information on transportation safety, see [basf.com/distribution_safety](https://www.basf.com/distribution_safety)

For more information on emergency response, see [basf.com/emergency_response](https://www.basf.com/emergency_response)

Energy and climate protection

As an energy-intensive company, we are committed to energy efficiency and global climate protection. We want to further reduce emissions along the value chain. To achieve this, we rely on efficient technologies for generating steam and electricity, for example, and the increased use of renewable energies. We make our production processes as energy efficient as possible with the help of comprehensive energy management. We are researching and developing completely new processes and technologies to reduce our greenhouse gas emissions over the long term. In addition, our climate protection products make an important contribution toward emission reduction and resource efficiency.

Strategy

Climate protection is very important to us and is an important part of our corporate strategy. As a leading chemical company, we want to achieve CO₂-neutral¹ growth until 2030. We aim to keep total greenhouse gas emissions from our production and our energy purchases stable at the 2018 level while growing production volumes. To achieve this, we have adopted comprehensive carbon management with three strategic levers: optimizing our plants, increasingly sourcing low-carbon energy, and developing completely new, low-emission technologies and processes. With these innovations, we want to lay the foundation for significant emissions reductions from 2030 onward.

Our climate protection activities are based on a comprehensive analysis of our emissions. We report on greenhouse gas emissions in accordance with the Greenhouse Gas Protocol as well as the sector-specific standard for the chemical industry. Sharp increases in our greenhouse gas emissions, due for example to the startup of large-scale plants, are progressively offset. We assess investments and acquisitions with respect to the impact on our climate protection target. If, for technical or economic reasons, our carbon management activities cannot stabilize emissions at the 2018 level, we will also consider taking short-term external offsetting measures such as purchasing certificates.

Most of our greenhouse gas emissions are from the consumption of energy. At sites with internal supply capabilities, we primarily rely on highly efficient combined heat and power plants with gas and steam turbines, and on the use of heat released by production processes. Furthermore, we are committed to energy management that helps us analyze and further improve the energy efficiency of our plants on an ongoing basis. We continuously analyze potential risks to our business operations arising in connection with the topics of energy and climate protection and derive appropriate measures.

Goals and measures

The BASF Group has set itself the goal of CO₂-neutral growth until 2030. BASF SE plays a significant part in reaching this goal. However, no separate site target has been set for greenhouse gas emissions, as changes to plant capacity utilization and the portfolio can have a great impact on target achievement at individual site level, but can usually be offset at Group level.

Specific greenhouse gas emissions in 2020 amounted to 0.639 metric tons of CO₂ equivalents per metric ton of sales product,² an increase of 11.3% compared with the previous year (2019: 0.574 metric tons of CO₂ equivalents per metric ton of sales product). This was mainly due to changes in BASF's portfolio from the acquisition of the carbon-intensive polyamide business from Solvay and the sale of the less carbon-intensive construction chemicals business. In addition, some plants could not be run at optimal capacity due to weaker demand as a consequence of the coronavirus pandemic, which led to higher specific emissions.

BASF introduced certified energy management systems (DIN EN ISO 50001) at all relevant production sites³ Group-wide by the end of 2020. Taken together, this represents 91% of the BASF Group's primary energy demand. BASF SE's Ludwigshafen site has been certified according to ISO 50001 since 2014. We continuously analyze and implement measures to increase energy efficiency.

¹ For more information on climate protection, see [basf.com/climate_protection](https://www.basf.com/climate_protection)

² For more information on carbon management, see [basf.com/en/carbon-management](https://www.basf.com/en/carbon-management)

Energy demand of BASF SE

| | 2020 | 2019 |
|------------------------------------|------------|------------|
| Electricity (MWh) | 5,984,894 | 6,176,545 |
| Steam (metric tons) | 18,096,317 | 18,322,989 |
| Fossil fuels in power plants (MWh) | 16,491,520 | 16,364,338 |

¹ The goal includes other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO₂ equivalents.

² Sales product volumes include sales between BASF Group companies; merchandise is not taken into account.

³ The selection of relevant sites is determined by the amount of primary energy used and local energy prices; does not yet include the polyamide business acquired from Solvay.

Air, waste and soil

We want to minimize the impact of our activities on people and the environment by further reducing emissions to air from production, preventing waste and protecting the soil. Our plants are operated responsibly and we use natural resources with respect. We have set ourselves standards in global requirements and are continually improving the resource efficiency of our processes with our Operational Excellence program.

Strategy

Regular monitoring of our emissions to air is a part of our environmental management. In addition to greenhouse gases (see page 25), we also measure and analyze emissions of air pollutants to continue to reduce these as far as possible.

Our waste management is based on the systematic tracking of material flows and follows a clear hierarchy. We aim to avoid waste as far as possible. If this is not possible, we review the options for recycling or energy recovery in terms of a circular economy. Non-recyclable waste is disposed of properly and in an environmentally responsible manner.

BASF's Verbund structure helps us to avoid or reduce waste. We regularly audit external waste disposal companies to ensure that waste is disposed of properly. In this way, we also contribute to preventive soil protection and keep today's waste from becoming tomorrow's contamination.

Management of waste and contaminated sites

We use the BASF Verbund to efficiently manage our material flows. The by-products of one plant often serve as feedstocks for another plant, avoiding waste. Other material flows can be used to generate steam, which saves fossil fuels.

We are working intensively on solutions for a circular economy. We want to further reduce our demand for primary resources and at the same time, help to reduce waste generation through better recycling, for example, of platinum group metals, or the use of recycled feedstocks such as pyrolysis oil from mixed plastic waste or used tires. We are also involved in various initiatives to avoid waste and strengthen the circular economy. For example, as a founding member of the Alliance to End Plastic Waste (AEPW), we cooperate with around 50 other companies along the value chain to put plastic waste to good use and reduce the amount that enters the environment. The AEPW intends to invest up to \$1.5 billion in various projects and cooperative ventures to this end, mainly in Asia and Africa.

We have global standards for managing contaminated sites. A worldwide network of experts ensures these are implemented. We develop remediation solutions that balance nature conservation, climate protection concerns, costs and social responsibility. This means making customized decisions on a case-by-case basis, founded on the legal framework and current technological standards. Contaminated sites, including those managed by BASF SE, are documented in a database. Ongoing remediation work around the world continued on schedule in 2020 and planning was concluded on future projects.

Waste generated by BASF SE that can no longer be recycled or used for energy recovery is deposited at landfill sites such as Flotzgrün. Construction work to expand the landfill site has been approved and commenced in 2017. An additional remediation well (B8) was installed and 23 new groundwater measuring stations were constructed to optimize the containment and monitoring of the groundwater contamination in the older sections of the Flotzgrün landfill site.

 For more information on provisions for environmental protection, see the Notes on page 89

 For more information on landfill sites near the Ludwigshafen site, see ludwigshafen.basf.de/deponien (only available in German)

Emissions to air by BASF SE

| | 2020 | 2019 |
|---|-------|-------|
| Emissions of air pollutants (excluding CH ₄): CO, NO _x , NMVOC, SO _x , dust, NH ₃ / other inorganic substances (metric tons) | 7,741 | 7,405 |
| Greenhouse gas emissions: CO ₂ , N ₂ O, CH ₄ , HFC, PFC, SF ₆ (million metric tons of CO ₂ equivalents) | 7.42 | 7.30 |

Waste generated by BASF SE

| | 2020 | 2019 |
|---|---------|---------|
| Total waste generation (metric tons) ¹ | 751,640 | 773,328 |

¹ Comprises all production waste and waste from construction activities.

Water

Water is of fundamental importance in chemical production. It is used as a coolant, solvent and cleaning agent, to make our products and transport our goods. We are committed to its responsible use along the entire value chain and especially in our production sites' water catchment areas. The BASF Group has set itself a global goal for sustainable water management.

Strategy

We aim to use water as sparingly as possible and further reduce emissions to water. The BASF Group has set out a directive with globally applicable standards, which also apply to BASF SE.

Goals and measures

By 2030, the BASF Group wants to have introduced sustainable water management at all production sites in water stress areas¹ and at the largest Verbund sites, covering 93% of the BASF Group's entire water abstraction.

We pursue our goal by applying the European Water Stewardship standard, which rests on four principles: sustainable water abstraction, maintaining good water quality, preserving conservation areas, and ensuring continuous improvement processes. In addition, we are a member of the global Alliance for Water Stewardship.

BASF SE's Verbund site in Ludwigshafen, Germany, was audited with respect to sustainable water management as early as 2014. The aim of sustainable water management is to ensure that the company does not have any relevant negative impact on water supply in the surrounding environment. This includes the efficient use of abstracted water and an effective water protection concept like the one implemented in Ludwigshafen.

For more information, see [basf.com/water](https://www.basf.com/water)

Water balance of BASF SE

| | 2020 | 2019 |
|--|-------|-------|
| Water abstraction (million cubic meters) | 1,337 | 1,351 |
| Water use (million cubic meters) | 2,002 | 2,022 |
| Water discharge (million cubic meters) | 1,097 | 1,198 |
| Emissions of organic substances to water (metric tons) | 4,959 | 5,105 |
| Emissions of nitrogen to water (metric tons) | 1,426 | 1,609 |
| Emissions of heavy metals to water (metric tons) | 8 | 11 |

¹ We define water stress areas as regions in which 40% or more of available water is used by industry, household and agriculture.

Biodiversity

Biodiversity describes the variety of life forms on Earth. Animals and plants fulfill a variety of functions and guarantee the ability of their ecosystem to withstand alterations such as climate change. As a chemical company, we depend on ecosystem services like the availability of renewable resources and air, water and soil quality, while also influencing them. Protecting biodiversity is therefore a key element of our commitment to sustainability.

Thanks to responsible procurement practices, the efficient use of raw materials, our product solutions and involvement in numerous initiatives, our business conduct is consistent with the United Nations' Sustainable Development Goals and we reduce our negative impact on biodiversity. It is currently extremely difficult to measure impacts on biodiversity and thus BASF's impacts in full. At the same time, we help to measure significant impacts on land use in individual steps of the value chain, for example with our Value to Society method. We also initiated a pilot project in 2020 to improve methodological measurement of the impacts of individual product applications on biodiversity.

Responsibility for our supply chains

The business activities of our raw materials suppliers often involve land use and the associated impact on biodiversity, whether it is in natural gas and crude oil production, mineral extraction or cultivation of crops such as oil palms and castor-oil plants. Our expectations with regard to environmental, labor and social standards in the supply chain are laid down in the Supplier Code of Conduct (see page 15).

We published our Position on Forest Protection in June 2020. In it, we commit to the preservation of areas of High Conservation Value, High Carbon Stock forest areas and peatlands when procuring renewable raw materials. Our aim is to prevent these areas from being developed for intensive economic use. Furthermore, we want any land use development activity to respect the rights of indigenous and local communities. We are working with partners to increase supply chain sustainability, for instance with the Roundtable on Sustainable Palm Oil (RSPO) in our supply chain for palm-based raw materials (see page 16).

BASF procures a variety of renewable raw materials. Particularly palm and palm kernel oil, soy oil and its derivatives as well as lignosulphonates, which are extracted from wood, have been determined to have a high deforestation risk. Based on our purchasing volumes, palm oil products are the most relevant renewable raw materials for BASF. To achieve greater sustainability in this supply chain, a detailed Palm Commitment went into effect in 2011 and was extended in 2015. It was put into practice through our Palm Sourcing Policy. Furthermore, we are involved in a range of projects in other supply chains promoting responsible use of natural resources and biodiversity. BASF was rated for the first time in 2020 in the nonprofit organization CDP's forest assessment (grade: A-). It evaluates companies' management of environmental risks and

opportunities. It is based on detailed insights into our palm value chain and the impact of our activities on ecosystems and habitats.

Our responsibility to our sites and our production

Preservation of biodiversity is also taken into consideration in the management of our sites. We respect natural resources at all our production sites and have committed to the following measures: We operate our facilities in a responsible manner and minimize negative effects on the environment, including forests, by keeping air, water and soil emissions as low as possible and reducing and avoiding waste (see page 26). Moreover, we conduct systematic assessments of sustainability aspects when making decisions about investments in the construction of new sites or expansion of existing ones, including the potential impact on forests and biodiversity. Our water management (see also page 27) and our involvement in organizations such as the Alliance to End Plastic Waste (AEPW) (see also page 26) contribute to the preservation of biodiversity in bodies of water.

Our management of our product impact

We want to ensure that our products meet our customers' standards in quality and, through appropriate use, pose no risk to humans, animals or the environment. Our commitment to the objectives set forth by the Responsible Care® charter of the International Council of Chemical Associations (ICCA) obligates us to continuously minimize the negative effects of our products on the environment, health and safety and to optimize our products on an ongoing basis. For example, we evaluate our products and solutions in crop protection and seeds throughout the entire research, development and registration process. After they have been approved for the market, we continue assessing them regularly for potential risks and impact to the ecosystems in which they are used. We have initiated various projects and offer training to prevent inappropriate application of our products (see page 21).

All types of land development, such as agriculture and forestry, play a role in changing biodiversity. Activities such as tillage, drainage, fertilization and the use of crop protection products can affect flora and fauna by influencing their food sources.

We strengthened our commitment to sustainable agriculture in 2020. We focus on four areas to help farmers to find the right balance: climate-smart farming, sustainable solutions, digital farming and smart stewardship. In this context, we work with farmers to create balanced agricultural systems which enable productive and efficient farming of high-quality food products and at the same time promote biodiversity in the field. For example, we advise them on soil cultivation and look for suitable ways to improve biodiversity in farmlands. Our many years of experience in sustainability measurement and evaluation in agriculture are particularly useful here. Our AgBalance® method and the biodiversity calculator, which has been available since 2020, enable a scientifically sound assessment of the impact of agricultural practices on biodiversity. Based on these assessments, we issue recommendations for measures such as

planting flower strips or establishing nesting places to benefit pollinators, like wild bees, and farmland birds. Our modern seed solutions also enable better yield on existing farmlands and thus help protect natural habitats.

Our biodiversity initiatives

Engaging in an ongoing dialog with a variety of stakeholders is of utmost importance to BASF. For this reason, we will continue to pursue an exchange with partners in the value chain, in government and in civil society to preserve the natural habitats of plants and wild animals and thus play our part in protecting biodiversity. We work with a number of organizations including the Roundtable on Sustainable Palm Oil (RSPO), the Sustainable Palm Oil Forum, the Brazilian Coalition on Climate, Forests and Agriculture and the High Carbon Stock Approach Steering Group. We seek to collaborate with additional relevant stakeholders and organizations to raise and increase awareness and drive the necessary market transformation to make an impact on the ground.

To promote biodiversity, we are pursuing various initiatives such as the BASF FarmNetwork Sustainability and the “Lark’s Bread” project.

The BASF FarmNetwork Sustainability was established in 2013 with the goal of developing feasible measures to increase biodiversity across intensively farmed land. The network is composed of farms in Europe, including in Germany, the United Kingdom, France, Italy and Poland. Independent external experts on nature conservation and environmental protection assess the development of biodiversity at some of these farms.

With the “Lark’s Bread” project, BASF is showing in Germany that striking a balance between productive agriculture and biodiversity is possible. In a pilot project with a local bakery chain and a mill, four farmers from the BASF FarmNetwork Sustainability have created “lark windows” on a total of 40 hectares of winter wheat fields. These “lark windows” are open spaces in fields with an area of about 20 m², which skylarks use as “runways” when they brood in the fields and search for food. The harvested wheat is processed into “lark’s bread” and sold at a markup that compensates farmers for their efforts and yield loss as well as supports further biodiversity measures.

 For more information on our commitment to biodiversity, see [basf.com/biodiversity](https://www.basf.com/biodiversity)

Employees

Our employees make a significant contribution to BASF's success. We want to attract and retain talented people for our company and support them in their development. To do so, we cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to top performance.

Strategy

Our employees are key to the successful implementation of BASF's strategy. We are convinced of the value of excellent employees, leaders and working conditions, and strive to give our employees the tools and skills necessary to be able to offer our customers products and services with an even greater level of differentiation and customization. Our corporate strategy promotes a working atmosphere based on mutual trust, in which employees are given the space to optimally develop their individual talents and potential. This positions us to meet the challenges of an increasingly rapidly changing environment, demographic change and the digital workplace. In everything we do, we are committed to complying with internationally recognized labor and social standards. We want our working conditions to be a motor for innovation, and one way of achieving this is through inclusion of diversity. Lifelong learning and individual employee development lay the foundation for this. Compensation and benefits as well as offerings to balance personal and professional life complete our attractive total offer package. We track our employer rankings so that we can continue to attract talented people to the company in the future. Our employees play an important role here as ambassadors for BASF.

Number of employees

At the end of 2020, BASF SE had 34,484 employees (2019: 34,896); of these, 2,043 were apprentices¹ (2019: 2,034). The decrease in the number of employees mainly related to administrative activities. By contrast, we increased the number of employees in technical areas.

Employee engagement

BASF can rely on the engagement of its employees. Employee engagement is shown by, for example, a passion for the job, a dedication to top performance and a commitment to BASF. Global employee surveys and pulse checks are an established feedback tool in the BASF Group, and are used to actively involve employees in shaping their working environment. The results are communicated to employees, the Board of Executive Directors, the Supervisory Board and stakeholders. We have performed regular global employee surveys since 2008. We aim to keep the employee engagement determined by these surveys at a high level and increase it even further as far as possible. As part of the BASF strategy, we therefore set ourselves the following goal in 2018: More than 80% of our employees feel that at BASF, they can thrive and perform at their best. We regularly calculate the employee

engagement level as an index score based on five questions on set topics in our employee surveys. Overall, more than 72,000 employees worldwide participated in this year's survey, representing 66% of survey recipients.

The 2020 survey revealed an engagement index of 82% (2019: 79%). This result reinforces our existing approach taken by our corporate strategy, even in a difficult environment. It also shows that we can rely on our engaged employees, even in a challenging year dominated by the coronavirus pandemic.

Our aim is to keep this score above 80%. We support our leaders with a range of follow-up measures to decentrally address individual action areas and in this way, help to further strengthen employee engagement together with their employees.

What we expect from our leaders

Our leaders and their teams should make a sustainable contribution to BASF's success. This is why we promote high-quality leadership and measure its impact. We understand impactful leadership as leaders that serve as role models by having a positive influence on the engagement and development of their employees, and developing and implementing business strategies in line with our corporate values. These expectations are part of the standard global nomination criteria for leadership positions. Our leadership culture is based on BASF's corporate values: creative, open, responsible and entrepreneurial – CORE. Our specific expectations of leaders' conduct are derived from these: the CORE Leadership Values.

The CORE Leadership Values serve as the guiding principles for all leaders and set out BASF's expectations of leadership behavior. We have derived specific descriptions of desired leadership skills from each individual CORE corporate value. Excellent leadership is crucial to our customer focus, growth, value creation, employee performance, sustainable goals and new ways of working. The expectations surrounding specific leadership behaviors are aligned with BASF's strategic goals and reflect our company's leadership vision. Regular training and company-wide dialog on best practices in implementing the CORE Leadership Values in all relevant processes across the company – such as the recruitment and development of talented employees – are important tools to ensure a consistent global leadership culture.

We offer our leaders a wide variety of learning and development opportunities for each phase of their career, as well as various formats that enable them to learn from one another and external experts. Global, regional and local offerings are optimally coordinated. We aim to develop leaders who lead their teams with optimism, empathy and trust, and in this way, create a competitive advantage for BASF. Regular feedback plays an important role in the development of leaders. This is why we implemented the comprehensive FEEDback&forward program for all leaders Group-wide in 2020, in which employees provide regular feedback on their

¹ At BASF, the apprenticeship program trains students for technical, scientific and business vocations as well as for trade and craft professions.

managers' leadership skills. The questionnaire focuses on behaviors like empathy or the ability to make difficult decisions and approach change positively. Employees can also report back to their leaders which leadership behaviors they want in the future. In this way, FEEDback&forward promotes regular and open dialog between employees and leaders, and encourages them to reflect on themselves and their own skills. This enables them to drive forward change together with their teams.

To optimally support our leaders – including during the challenging times of the coronavirus pandemic – existing leadership development tools were converted to virtual formats and our internal toolbox was expanded to include new elements such as a CORE leadership podcast or a website with information on how to handle challenges during the pandemic.

Inclusion of diversity

The global character of our markets translates into different customer requirements. We want to reflect this diversity among our employees, too, because it enables them to better meet our customers' needs. For us, diversity means, among other things, having people from different backgrounds working at our company who can draw on their individual perspectives and skills to grow our business. By valuing and promoting employee diversity, we boost our teams' performance and power of innovation, and increase creativity, motivation and employees' identification with the company.

Promoting and valuing diversity across all hierarchical levels is an integral part of our strategy and is also embedded in our corporate values. BASF strives to foster a working environment based on mutual respect, trust and appreciation. This is enshrined in our global Competency Model, which provides a framework for our employees and leaders. The inclusion of diversity is anchored in this model as one of the behaviors expected of employees and leaders.

Our leaders play an important role in its implementation. We support them with various, flexible offerings. For instance, we have provided a toolbox with a wide range of content to enable a change of perspective and on promoting diversity and inclusion. A new podcast series from leaders shows the importance of appreciative, fair and inclusive leadership.

Integrating different perspectives is very important to BASF. There are a large number of Employee Resource Groups around the world dedicated to different aspects of diversity.

BASF is one of approximately 150 companies that support the United Nations Global LGBTI (lesbian, gay, bi, trans and intersex) Standards of Conduct for business and has done so since 2018. The U.N. recommendations show the many opportunities companies have to contribute to positive social change. As part of pride month, employees promoted openness, acceptance and tolerance with campaigns at various sites around the world.

 For more information on the participation of women in leadership positions, see page 48 onward

 For more information, see [basf.com/diversity](https://www.basf.com/diversity)

Managing demographic change

Longer working lives and an aging employee population are relevant issues, especially in Germany. Our aim is to create a suitable framework to leverage the experience of our employees and enable them to contribute to BASF SE in all stages of life. We see digitalization as an opportunity to proactively shape the effects of demographic change here.

BASF SE manages demographic change with various measures to address the different challenges, including knowledge management, flexible working arrangements, age-appropriate workplaces, and health and exercise programs. These measures were also supported by our new 2025 site agreement. In it, we have defined our aim of creating more flexibility around working times and locations with new ways of working and digital tools. We will also strengthen our health management through close cooperation between site medical services, health initiatives, the Work-Life Management employee center, and social counseling and coaching.

We want to ensure the availability of qualified employees and safeguard existing knowledge over the long term, especially in a technological and digital environment. We start by performing demographic analyses to make the demographic situation for different operational job profiles transparent for the responsible leaders. For plants and job profiles with a particularly critical age structure, we then derive specific measures such as offerings for succession planning or needs-based knowledge transfer and assisted knowledge handover.

Mixed-age teams foster diversity at all levels within the company and benefit from the combination of different skills and perspectives, for example, by bringing together knowledge of digital tools with many years of experience in technical processes or operational procedures.

 For more information on health protection, see page 19 onward

Competition for talent

Attracting and retaining the best employees is crucial to our success. Having an attractive and compelling total offer package for employees is becoming increasingly important given the strong global competition for the best qualified employees and leaders. This is why we are constantly working on measures to increase BASF's appeal in the global labor markets. Target group-specific campaigns focus on sustainability, digital ways of working and innovation for the future – reflecting our strategic action areas and key labor market trends.

We are increasingly using digital platforms such as our country-specific career websites as well as global and regional social networks to reach potential candidates. This enables us to appropriately address different target groups.

In light of the coronavirus pandemic, we used digital solutions for our talent search activities in 2020. For instance, in order to still be present at career fairs, we participated virtually. As a result, we were able to continue to attract and recruit talented employees. We also offered virtual tours of the Ludwigshafen site for universities in Germany. In addition, we consistently take part in specific career events to directly reach and attract talented female recruits in the natural sciences.

The talent program for external students and former interns was largely redesigned and expanded to include targeted retention measures. For example, special online events on different career opportunities and an exclusive journal help to maintain contact with talented students who impressed us with their outstanding personal qualities and skills. Mentors at BASF also keep in contact until they have completed their degree and can be recruited.

To combat the shortage of skilled workers in production and technical areas, due among other factors to demographic-related declines in Ludwigshafen, Germany, we have strengthened our social media presence, for example, to alert qualified specialists to new career prospects at BASF.

We once again achieved high scores in a number of employer rankings in 2020. For example, in a study conducted by Universum, engineering and IT students ranked BASF as the 51st most attractive employer in the world (2019: 47th). In Germany, BASF was ranked the most attractive employer for young professionals in the chemical and pharmaceutical industry by Trendence, a consulting and market research company.

Vocational training

Vocational training has a long tradition of dependability at BASF and is an investment in BASF's competitiveness and future. Together with our partners, we prepare apprentices for modern working life. We give them the skills they need to understand how to use future-

oriented technologies, procedures and methods, and encourage them to pursue lifelong, independent learning. To continue to attract suitable candidates for apprenticeships at BASF in the future, we give school students in the career orientation phase insights into different training paths. In early March, we opened new career orientation facilities at the Ludwigshafen site in Germany. This expands BASF's existing information offering for young people aged 14 and over. From March onward, career orientation events were limited by the pandemic and online formats were quickly offered for the target groups, such as livestreams with apprentices, online job fairs and career orientation webinars. We ensured the best possible protection of apprentices and employees during practical on-site training with our infection prevention concept.

Digitalization is also changing vocational training at BASF and was driven forward in 2020. Digital learning modules and methods are playing an increasingly important role in fostering individual learning. These were a great help, especially this year, when apprentices increasingly studied from home. As BASF vocational training, it is our task to show them how to use new technologies and explore new ways of communicating knowledge. BASF opened the new virtual reality technical training center in July, just in time for the start of the 2020 apprenticeship program. Here, technicians-in-training can use VR goggles to learn how parts of plants are connected and how a plant reacts in individual steps of a process. Apprentices also completed a number of assignments in a virtual technical center.

After the first cohorts were equipped with tablets two years ago, the DidA project ("Digitalization in dual vocational training") was expanded to include other groups of apprentices. In total, around 1,100 apprentices and dual students (students enrolled in cooperative university programs) were given tablets and laptops by BASF.

BASF continues to provide high-level training at the Ludwigshafen site in Germany. Despite the current challenges, BASF successfully increased the total number of apprenticeship positions at the Ludwigshafen site in 2020 and filled all available vocational program slots. Over 90% of apprentices at BASF SE received a job offer after completing vocational training in 2020. We also foster social integration, particularly of low-achieving young people and refugees, with programs such as *Start in den Beruf* and *Start Integration*. In 2020, 106 young people in the BASF Training Verbund participated in these programs in cooperation with partner companies in the Rhine-Neckar metropolitan region. The goal is to prepare participants for a subsequent apprenticeship within one year, and ultimately secure the long-term supply of qualified employees for BASF SE and in the region as a whole. Since being launched at the end of 2015, BASF's *Start Integration* program has supported around 420 refugees with a high probability of being granted the right to remain in Germany, helping to integrate them into the labor market. We spent around €2.6 million on the BASF Training Verbund in 2020.

For more information, see basf.com/apprenticeship

Learning and development

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote lifelong, self-directed learning. Employee development at BASF is guided by the belief that talent is in everyone. This means that development opportunities and support are open to all employees. In our understanding, there is more to development than a promotion or a job change – it encompasses the development of personal experience and abilities.

In regular development meetings, which are held as part of our annual employee dialogs, employees outline ideas for their individual development together with their leaders and determine specific measures for further training and development, which focus on personal and professional competencies. Our learning activities follow the “70-20-10” philosophy: We apply the elements “learning from experience” (70%), “learning from others” (20%) and “learning through courses and media” (10%). Our learning and development offerings cover a range of learning goals: starting a career, expanding knowledge, personal growth and leadership development.

Digital learning formats play an important role in our development offerings. Even before the coronavirus pandemic, training for leaders and employees was updated to meet the challenges of the digital transformation and modern working life with appropriate learning formats and content. For example, the Digitalization & Me platform was established as a central resource where employees and leaders can find a wide range of online training, learning paths on LinkedIn Learning, or virtual continuous professional development events. Both target groups can also hold joint workshops in an avatar-based 3D working and learning environment.

We enable our employees to take responsibility for their own professional development within the company with digital and novel offerings. To support multidisciplinary teams in the development of products, services or business models, workshops on design thinking empower participants to find creative and innovative solutions to complex problems. This fosters an agile learning and working culture, which will ultimately also help us to master the digital transformation.

To harness the opportunities of the digital transformation for BASF, the #liveit initiative for leaders focused on agility in 2020. Over 3,000 participants discussed methods, best practices and insights into agile working and digital leadership in monthly digital events.

In addition, more and more academies in the divisions and service units, which teach specific professional content, offer virtual training. We have offered virtual presence training since 2018, which gives all employees the opportunity to attend professional development courses via digital communication channels such as virtual meetings.

Compensation and benefits

We want to attract engaged and qualified employees, retain them and motivate them to achieve top performance with an attractive package including market-oriented compensation, individual development opportunities and a good working environment so that they contribute to the company’s long-term success. Our employees’ compensation is based on global compensation principles according to position, market and performance. As a rule, compensation comprises fixed and variable components as well as benefits that often exceed legal requirements. In many countries, these benefits include company pension benefits, supplementary health insurance and share programs. We regularly review our compensation systems at local and regional levels. Representative analyses for BASF SE have shown that for comparable qualifications and positions, there is no systematic pay gap between men and women.

We want our employees to contribute to the company’s long-term success. This is why the compensation granted to the vast majority of our employees includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles basically apply for all employees worldwide. The amount of the variable component is determined by economic success as well as the employee’s individual performance. We use the BASF Group’s return on capital employed (ROCE) to measure economic success for the purposes of variable compensation. This links variable compensation to our ROCE target.¹ Individual performance is assessed as part of a globally consistent performance management process. In numerous Group companies, our “plus” share program ensures employees’ long-term participation in the company’s success through incentive shares. In 2020, for example, around 20,800 BASF SE employees (2019: around 18,600) participated in the “plus” share program.

BASF offers senior executives² the opportunity to participate in a share price-based compensation program, the long-term incentive (LTI) program. The BASF Group’s share price-based compensation program (BASF Option Program, BOP), which has existed since 1999, was offered for the last time in 2020. Around 87% of the people eligible to participate in the program around the world did so, investing up to 30% of their actual variable compensation (for the 2019 business year) in BASF shares.

¹ In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (for example, integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of +/-1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

² The term “senior executives” refers to leadership levels 1 to 4, whereby level 1 denotes the Board of Executive Directors. In addition, individual employees can attain senior executive status by virtue of special expertise.

From 2020 onward, the previous LTI program for senior executives will be replaced by a new LTI (Strive!) in the form of a performance share plan. The new, four-year program takes into account the development of the total shareholder return and incentivizes the achievement of strategic growth, profitability and sustainability targets. To take part in this new LTI, participants must hold BASF shares, the amount of which is based on their individual fixed compensation. In 2020, around 94% of the people eligible to participate in the new LTI around the world did so, investing between 30% and 70% of their fixed annual compensation in BASF shares.

For more information, see the Notes on page 89

Personnel expenses

BASF SE spent €3,533 million on wages and salaries, social security contributions and expenses for pensions and assistance in 2020 (2019: €3,745 million). Personnel expenses thus declined by 5.7%. The decrease in wages and salaries is primarily attributable to variable compensation.

For more information, see the Notes on page 93

Personnel expenses BASF SE

| Million € | 2020 | 2019 |
|--|--------------|--------------|
| Wages and salaries | 2,839 | 3,099 |
| Social security contributions and expenses for pensions and assistance | 694 | 646 |
| of which for pension benefits | 257 | 199 |
| Total personnel expenses | 3,533 | 3,745 |

Balancing personal and professional life

Our identity as an employer includes our belief in supporting our employees in balancing their personal and professional lives. We want to strengthen their identification with the company and our position in the global competition for qualified personnel. To achieve this, we have a wide range of offerings aimed at employees in different phases of life that accommodate the growing demand for flexibility in when and where they work. BASF helps employees to adapt working hours and location to their personal circumstances with a wide range of established options, including flexible working hours, part-time employment and remote working. We are constantly working to expand these options and increasingly support the effective use of digital solutions here.

Our flexible tools proved extremely helpful during the coronavirus pandemic. They help our employees to master the increased challenges around work and personal life during the pandemic. One of the tools that increases flexibility is moving larger employee events that were previously held in-person to virtual formats and recording these. We have developed a global policy and framework for the future of work to integrate the positive experiences from the surge in remote working into our working culture. The aim is to further promote and facilitate flexible working models for interested employees.

Regional initiatives specifically address the needs of our employees at a local level. For example, our startup 1000 Satellites continued to expand the number of flexible co-working spaces in the Rhine-Neckar region in Germany and tested these in pilot projects.

Our Work-Life Management employee center in Ludwigshafen, Germany, (LuMit) offers a number of services under one roof: child-care, fitness and health, and social counseling and coaching offered by BASF Stiftung. BASF Stiftung provides social counseling and coaching to support employees in overcoming difficult life situations and in this way, maintain and restore their employability.

Dialog with employee representatives

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and ongoing dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. In the case of organizational changes or if restructuring leads to staff downsizing, for example, we involve employee representatives to develop socially responsible implementation measures at an early stage. In 2020, this happened in connection with the transformation of the newly created Global Business Services unit, for example. Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational considerations. During the coronavirus pandemic, we developed solutions together with employee representatives to continue our trust-based cooperation, despite the necessary pandemic-related restrictions. This enabled us to sign a new site agreement with the Works Council of BASF SE for the Ludwigshafen site in Germany in May 2020, which contains a clause that excludes forced redundancies until 2025.

By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal considerations for each site. The BASF Europa Betriebsrat (European Works Council) addresses cross-border matters in Europe.

For more information, see basf.com/employeerepresentation

International labor and social standards

We act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). BASF is committed to complying with these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including external compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the BASF guideline on compliance with international labor norms, which applies Group-wide. This guideline makes concrete what the human rights issues and international labor standards in our global Code of Conduct mean as these relate to our employees.

It forms the basis for our global management process: We regularly monitor changes to the national law of all the countries in which BASF operates and evaluate our adherence to international labor and social standards. If the national law contains no or lower requirements, action plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is our central due diligence system.

We monitor our voluntary commitment to international labor and social standards as part of our management process. As before, individual elements of the guideline are also reviewed as part of internal control processes such as Responsible Care audits at BASF Group companies. In addition to these quality assurance measures, compliance with international labor and social standards is an integral part of the standard questionnaire in the compliance management audit conducted by BASF's Corporate Audit department.

 For more information on our responsibility for human rights, see page 12

 For more information on labor and social standards, see [basf.com/labor_social_standards](https://www.basf.com/labor_social_standards)

Compliance

Compliance topics relevant to BASF SE are presented on pages 51 to 52 of this Management's Report.

Opportunities and Risks

The goal of BASF's risk management is to identify and evaluate opportunities and risks as early as possible and to take appropriate measures in order to seize opportunities and limit risks. The aim is to avoid risks that pose a threat to BASF's continued existence and to make improved managerial decisions to create value. We define opportunities as potential successes that exceed our defined goals. We understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals.

In order to effectively measure and manage identified opportunities and risks, we quantify these where appropriate in terms of probability and economic impact in the event they occur. Where possible, we use statistical methods to aggregate opportunities and risks into risk factors. This way, we achieve an overall view of opportunities and risks at a portfolio level, allowing us to take effective measures for risk management.

Overall assessment

For 2021, we anticipate a considerable global economic recovery after the downturn in the previous year due to the coronavirus pandemic. General economic uncertainty will nevertheless remain high until widespread immunization of the population has been achieved. Specifically, production stoppages due to official orders or high infection rates can lead to disruptions in the supply chains of our customer industries, with our suppliers and in our own production plants. Moreover, restricted economic activity resulting from further lockdowns can have a significant negative impact on aggregate demand. An escalation of geopolitical conflicts as well as the ongoing trade conflicts between the United States and China and the associated slowdown of the economy also pose significant risks. These developments could have a negative impact on demand for intermediate and investment goods worldwide. Opportunities arise from continued strong demand, supported by earlier and better availability and broader acceptance of the coronavirus vaccine than is assumed in our forecasts. In addition to the uncertainties surrounding market growth and the development of key customer industries, material opportunities and risks for our earnings arise from margin volatility. From today's perspective, Brexit does not give rise to any material opportunities or risks for BASF SE due to the trade agreement reached between the European Union and the United Kingdom.

According to our assessment, there continue to be no significant individual risks that pose a threat to the continued existence of BASF SE. The same applies to the sum of individual risks, even in the case of a global economic crisis, such as the intensification of the coronavirus crisis.

Ultimately, however, residual risks (net risks) remain in all entrepreneurial activities that cannot be ruled out, even by comprehensive risk management.

Risk management process

The BASF Group's risk management process is based on the international risk management standard, COSO II Enterprise Risk Management – Integrated Framework, and has the following key features:

Organization and responsibilities

- Risk management is the responsibility of the Board of Executive Directors, which also determines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the Corporate Center. Corporate Finance and Corporate Development, which are units within the Corporate Center, and the Chief Compliance Officer coordinate the risk management process at a Group level, examine financial and sustainability-related opportunities and risks, and provide the structure and appropriate methodology. Opportunity and risk management is thus integrated into the strategy, planning and budgeting processes.
- BASF's risk committee reviews the BASF Group's risk portfolio at least twice a year to evaluate any adjustments to risk management measures and informs the Board of Executive Directors of these. Members of the risk committee are the head of Corporate Finance (president), the head of Corporate Development, the head of Corporate Legal, Compliance, Tax & Insurance and representatives of the Corporate Audit and Corporate Environmental Protection, Health & Safety units.
- The management of specific opportunities and risks is largely delegated to the divisions, the service and research units and the regions, and is steered at a regional or local level. This also applies to sustainability-related topics relevant to BASF including the impact of climate change on BASF. Financial risks are an exception. The management of liquidity, currency and interest rate risks is conducted in the Corporate Finance unit. The management of commodity price risks takes place in the Global Procurement unit or in authorized Group companies.
- A network of risk managers in the divisions, service and research units as well as in the regions advances the implementation of appropriate risk management practices in daily operations.
- The BASF Group's management is informed of short-term operational opportunities and risks that fall within an observation period of up to one year in the monthly management report produced by the Corporate Finance department. In addition, Corporate Finance provides information twice a year on the aggregated opportunity/risk exposure of the BASF Group. Furthermore, if a new individual risk is identified which has a more than €10 million impact on earnings or bears reputational risks, it must be immediately reported.
- As part of strategy development, the Corporate Development unit conducts strategic opportunity/risk analyses for long-term opportunities and risks with a 10-year assessment period. These analyses are annually reviewed as part of strategic controlling and are adapted if necessary.
- BASF's Chief Compliance Officer (CCO) manages the implementation of our Compliance Management System, supported by additional compliance officers worldwide. He regularly reports to

the Board of Executive Directors on the status of implementation as well as on any significant results. He also provides a status report to the Supervisory Board's Audit Committee at least once a year, including any major developments. The Board of Executive Directors immediately informs the Audit Committee about significant incidents.

- The internal audit unit (Corporate Audit) is responsible for regularly auditing the risk management system established by the Board of Executive Directors in accordance with section 91(2) of the German Stock Corporation Act. Furthermore, as part of its monitoring of the Board of Executive Directors, the Supervisory Board considers the effectiveness of the risk management system. The suitability of the early detection system we set up for risks is evaluated by our external auditor.

Tools

- The Governance, Risk Management, Compliance (GRC) Policy, applicable throughout the Group, forms the framework for risk management and is implemented by the operating divisions, the service and research units and the regions according to their specific business conditions.
- A catalog of opportunity and risk categories helps to identify all relevant financial and sustainability-related opportunities and risks as comprehensively as possible. We also systematically assess opportunities and risks with effects that cannot yet be measured in monetary terms, such as reputational and climate risks. To reflect these, risks for companies in connection with the transition to a low-carbon economy (transition risks) as well as physical risks as defined by the Task Force on Climate-related Financial Disclosures (TCFD) were added to the catalog in 2020.
- We use standardized evaluation and reporting tools for the identification and assessment of risks. The aggregation of opportunities, risks and sensitivities at division and Group level using a Monte Carlo simulation helps us to identify effects and trends across the Group.
- Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. Our global employee Code of Conduct firmly embeds these mandatory standards into everyday business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

Significant features of the internal control and risk management system with regard to the financial reporting process (section 289(4) HGB)

The Financial Statements are prepared by a unit in the Global Business Services division. BASF SE's accounting process is based on a uniform accounting guideline that sets out accounting policies and the significant processes and deadlines on a Group-wide basis. There are binding directives for the internal reconciliations and other accounting operations within the Group. Standard software is used to carry out the accounting processes, and there are clear rules for the access rights of each participant in these processes.

Employees involved in the accounting and reporting process meet the qualitative requirements and participate in training on a regular basis. There is a clear assignment of responsibilities between the specialist units, companies and regional service units involved. We strictly adhere to the principles of segregation of duties and dual control, or the "four-eyes principle." Complex actuarial reports and evaluations are produced by specialized service providers or specially qualified employees.

An internal control system for financial reporting continuously monitors these principles. To this end, methods are provided to ensure that evaluation of the internal control system in financial reporting is structured and uniform across the BASF Group.

The significant risks for BASF SE regarding a reliable control environment for proper financial reporting are reviewed and updated on an annual basis. Risks are compiled into a central risk catalog.

Moreover, a centralized selection process identifies areas that are exposed to particular risks, that are material to the Financial Statements of BASF SE, or that provide service processes. The selection process is conducted annually. Persons responsible for implementing the requirements for an effective control system in financial reporting are appointed at the relevant companies.

The process comprises the following steps:

- **Evaluation of the control environment**
Adherence to internal and external guidelines that are relevant for the maintenance of a reliable control environment is checked by means of a standardized questionnaire.
- **Identification and documentation of control activities**
In order to mitigate the risks to the financial reporting processes listed in our central risk catalog, critical processes and control activities are documented.
- **Assessment of control activities**
After documentation, a review is performed to verify whether the described controls are capable of adequately covering the risks. In the subsequent test phase, samples are taken to test whether, in practice, the controls were executed as described and effective.
- **Monitoring of control weaknesses**
The managers responsible receive reports on any control weaknesses identified and their resolution, and an interdisciplinary committee investigates their relevance for BASF SE. The Board of Executive Directors and the Audit Committee are informed if control weaknesses with a considerable impact on financial reporting are identified. Only after material control weaknesses have been resolved does the company's managing director confirm the effectiveness of the internal control system.
- **Internal confirmation of the internal control system**
All managing directors and chief financial officers of each consolidated Group company must confirm to the Board of Executive Directors of BASF SE every half-year and at the end of the annual cycle, in writing, that the internal control system is effective with regard to accounting and reporting.

Short-term opportunities and risks

Market growth

The development of our sales markets is one of the strongest sources of opportunities and risks. Stronger demand caused by an accelerated lifting of lockdowns, for example as a result of high efficacy and acceptance of coronavirus vaccines, give rise to macro-economic opportunities. A significant macroeconomic risk arises from the possibility that measures to contain the coronavirus are kept in place for a longer period of time or expanded, and that global economic growth slows as a result. Additional macro-economic risks result from the escalation of geopolitical conflicts and the ongoing trade conflict between the United States and China. Both can have a considerable impact on global demand for intermediate goods for industrial production and demand for investment goods.

Margin volatility

Opportunities and risks primarily result from higher or lower margins in the Chemicals and Materials segments. Opportunities arise here if the positive margin trend driven by the supply side continues for longer than expected. However, new capacities or raw materials shortages could increase margin pressure on a number of products and value chains. This would have a negative effect on our EBIT.

The year's average oil price for Brent crude was \$42 per barrel in 2020, compared with \$64 per barrel in the previous year. For 2021, we anticipate an average oil price of \$50 per barrel. We therefore expect price levels for the raw materials and petrochemical basic products that are important to our business to rise slightly.

Competition

We continuously enhance our products and solutions in order to maintain competitive ability. We monitor the market and the competition, and try to take targeted advantage of opportunities and counter emerging risks with suitable measures. Aside from innovation, key components of our competitiveness are our ongoing cost management and continuous process optimization.

Regulation and political risks

Risks for us can arise from intensified geopolitical tensions, new trade sanctions, stricter emissions limits for plants, changes in chemical regulations and energy and climate laws.

In addition, risks to BASF SE can be posed by further regulations in key customer industries or on the use or registration of agricultural and other chemicals.

Political measures could also give rise to opportunities. For example, we view measures around the world to increase energy efficiency and reduce greenhouse gas emissions as an opportunity for increased demand for our products, such as our insulation foams for buildings, catalysts, battery materials for electromobility, or our solutions for wind turbines. Our broad product portfolio enables us to offer alternatives if new chemicals have to be developed as a

result of restrictions in connection with the REACH chemicals regulation or new standards in our customers' industries.

Purchasing and supply chain

We minimize procurement risks through our broad portfolio, global purchasing activities and the purchase of raw materials on spot markets. If possible, we avoid procuring raw materials from a single supplier. When this cannot be avoided, we try to foster competition or we knowingly enter into this relationship and assess the consequences of potential nondelivery. We continuously monitor the credit risk of important business partners.

Around the world, the frequency and intensity of extreme weather conditions (such as high/low water levels on rivers or hurricanes) are subject to change as a result of climate change. We address the risk of supply interruptions on the procurement and sales side caused by extreme weather conditions by switching to alternative logistics carriers and the possibility of falling back on unaffected sites within our global Verbund.

In 2019/2020, we implemented a package of climate resilience measures at our Verbund site in Ludwigshafen, Germany: We developed an early warning system for low water, created multi-modal transportation concepts, chartered more ships that can navigate low water levels and, in cooperation with partners, are currently developing our own type of ship designed for extreme low-water situations. These measures are already making long periods of low water on the Rhine River, like in 2018, more manageable.

Investments and production

We try to prevent unscheduled plant shutdowns by adhering to high technical standards and by continuously improving our plants.

In the event of a production outage – caused by an accident, for example – our global, regional or local emergency response plans and crisis management structures are engaged, depending on the impact scope. Every region has crisis management teams on a local and regional level. They not only coordinate the necessary emergency response measures, they also initiate the immediate measures for damage control and resumption of normal operations as quickly as possible.

Crisis management also includes dealing with extreme weather conditions such as significantly elevated water temperatures in rivers due to extended heat waves, which limit the available cooling capacity (for example, at the Ludwigshafen site in Germany). Appropriate precautions are taken at the sites in the case of a potential change in risk in connection with climate change. For example, over the past few years, the Verbund site in Ludwigshafen, Germany, has implemented a package of measures to increase cooling capacity, including expanding and optimizing the central recooling plants and optimizing cooling water flows. These are capable of avoiding production outages due to extreme heatwaves like the one in 2018.

Short-term risks from investments can result from, for example, technical malfunctions or schedule and budget overruns. We counter these risks with highly experienced project management and controlling.

Acquisitions, divestitures and cooperations

We constantly monitor the market in order to identify possible acquisition targets and develop our portfolio appropriately. In addition, we work together in collaborations with customers and partners to jointly develop new, competitive products and applications.

Opportunities and risks arise in connection with acquisitions and divestitures from the conclusion of a transaction, or it being completed earlier or later than expected. They relate to the regular earnings contributions gained or lost as well as the realization of gains or losses from divestitures if these deviate from our planning assumptions.

Personnel

Due to BASF's worldwide compensation principles, the development of personnel expenses is partly dependent on the amount of variable compensation, which is linked to the company's success, among other factors. The correlation between variable compensation and the success of the company has the effect of minimizing risk. Another factor is the development of interest rates for discounting pension obligations.

Information technology risks

BASF relies on a large number of IT systems. Their nonavailability, violation of confidentiality or the manipulation of data in critical IT systems and applications can all have a direct impact on production and logistics processes. The threat environment has changed in recent years, as attackers have become better organized, use more sophisticated technology, and have far more resources available. If data are lost or manipulated, this can, for example, negatively affect plant availability, delivery quality or the accuracy of our financial reporting. Unauthorized access to sensitive data, such as personnel records or customer data, competition-related information or research results, can result in legal consequences or jeopardize our competitive position. This would also be accompanied by the associated loss of reputation.

To minimize such risks, BASF uses globally uniform processes and systems to ensure IT availability and IT security, such as stable and redundantly designed IT systems, backup processes, virus and access protection, encryption systems as well as integrated, Group-wide standardized IT infrastructure and applications. The systems used for information security are constantly tested, continuously updated, and expanded if necessary. In addition, our employees receive regular training on information and data protection. IT-related risk management is conducted using Group-wide regulations for organization and application, as well as an internal control system based on these regulations.

BASF also established the Cyber Defense Center in 2015, is a member of Cyber Security Sharing and Analytics e.V. (CSSA), and a founding member of the German Cybersecurity Organization (DCSO) together with Allianz SE, Bayer AG and Volkswagen AG. BASF has also established an information security management system and is certified according to ISO/IEC 27001:2013.

Legal disputes and proceedings

We constantly monitor current and potential legal disputes and proceedings, and regularly report on these to the Board of Executive Directors and Supervisory Board. In order to assess the risks from current legal disputes and proceedings and any potential need to recognize provisions, we prepare our own analyses and assessments of the circumstances and claims considered. In addition, in individual cases, we consider the results of comparable proceedings and, if needed, independent legal opinions. Risk assessment is particularly based on estimates as to the probability of occurrence and the range of possible claims. These estimates are the result of close cooperation between the relevant operating and service units together with Corporate Finance and Corporate Legal. If sufficient probability of occurrence is identified, a provision is recognized accordingly for each proceeding. Should a provision be unnecessary, general risk management continues to assess whether these litigations nevertheless represent a risk for the EBIT.

We use our internal control system to limit risks from potential infringements of rights or laws. For example, we try to avoid patent and licensing disputes whenever possible through extensive clearance research. As part of our Group-wide Compliance Program, our employees receive regular training.

Financial opportunities and risks

Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions. As a part of risk management, activities in countries with transfer restrictions are continuously monitored. This includes, for example, regular analysis of the macroeconomic and legal environment, shareholders' equity and the business models of the operating units. The chief aim is the management of counterparty, transfer and currency risks.

Exchange rate volatility

Our competitiveness on global markets is influenced by fluctuations in exchange rates. For BASF's sales, opportunities and risks arise in particular when the U.S. dollar exchange rate fluctuates. A full-year appreciation of the U.S. dollar would increase BASF SE's EBIT, assuming other conditions remain the same.

We incorporate planned purchase and sales transactions in foreign currencies in our financial foreign currency risk management. These risks are hedged using derivative instruments, if necessary.

Interest rate risks

Interest rate risks result from potential changes in prevailing market interest rates. These can cause a change in the fair value of fixed-rate instruments and fluctuations in the interest payments for variable-rate financial instruments, which would positively or negatively affect earnings. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used in individual cases.

In addition to market interest rates, BASF's financing costs are determined by the credit risk premiums to be paid. These are mainly influenced by our credit rating and the market conditions at the time of issue. In the short to medium term, BASF is largely protected from the possible effects on its interest result thanks to the balanced maturity profile of its financial indebtedness.

Liquidity risks

Risks from fluctuating cash flows are recognized in a timely manner as part of our liquidity planning. We have access to extensive liquidity at any time thanks to our good ratings, our unrestricted access to the commercial paper market and committed bank credit lines. In the short to medium term, BASF is largely protected against potential refinancing risks by the balanced maturity profile of its financial indebtedness as well as through diversification in various financial markets.

Risk of asset losses

We limit country-specific risks with measures based on internally determined country ratings, which are continuously updated to reflect changing environment conditions. We selectively use investment guarantees to limit specific country-related risks. We lower credit risks for our financial investments by engaging in transactions only with banks with good credit ratings and by adhering to fixed

limits. Creditworthiness is continuously monitored and the limits are adjusted accordingly. We reduce the risk of default on receivables by continuously monitoring the creditworthiness and payment behavior of our customers and by setting appropriate credit limits. Risks are also limited through the use of credit insurance and bank guarantees. Due to the global activities and diversified customer structure, there are no major concentrations of credit default risk.

Impairment risks

Asset impairment risk arises if the assumed interest rate in an impairment test increases, the predicted cash flows decline, or investment projects are suspended. Following the impairments recognized in 2020, we currently consider the risk of further impairment for assets such as shareholdings, property, plant and equipment, goodwill, technologies and trademarks to be immaterial.

Long-term incentive program for senior executives

BASF offers leaders the opportunity to participate in a share price-based compensation program. The need for provisions for this program varies according to the development of the BASF share price and the MSCI World Chemicals Index; this leads to a corresponding increase or decrease in personnel costs.

From 2020 onward, the previous long-term incentive (LTI) program for senior executives will be replaced by a new LTI program in the form of a performance share plan. The new LTI plan incentivizes the achievement of strategic growth, profitability and sustainability targets and takes into account the development of the BASF share price and the dividend. The need for provisions for this program varies according to assumptions on the degree of strategic target achievement, the development of the BASF share price and the dividend. This leads to a corresponding increase or decrease in personnel costs.

Risks from pension obligations

Most employees are granted company pension benefits from either defined contribution or defined benefit plans. We predominantly finance company pension obligations externally through separate plan assets. This particularly includes BASF Pensionskasse VVaG and BASF Pensionstreuhand e.V. in Germany. To address the risk of underfunding due to market-related fluctuations in plan assets, we have investment strategies that align return and risk optimization to the structure of the pension obligations. Stress scenarios are also simulated regularly by means of portfolio analyses. An adjustment to the interest rates used in discounting pension obligations leads immediately to changes in earnings. To limit the risks of changing financial market conditions as well as demographic developments, employees have, for a number of years now, been almost exclusively offered defined contribution plans for future years of service. Some of these contribution plans include minimum interest guarantees. If the pension fund cannot generate this, it must be provided by the employer. A permanent continuation of the low interest rate environment could make it necessary to recognize pension obligations and plan assets for these plans as well.

Long-term opportunities and risks

Long-term demand development

We assume that growth in chemical production (excluding pharmaceuticals) will be slightly stronger than global gross domestic product over the next five years and will be considerably stronger than the previous five-year average. Through our market-oriented and broad portfolio, which we will continue to strengthen in the years ahead through investments in new production capacities, research and development activities and acquisitions, we aim to achieve volume growth that slightly exceeds this market growth. Should global economic growth see unexpected, considerable deceleration because of prolonged restrictions due to the coronavirus pandemic, an ongoing weak period in the emerging markets, protectionist tendencies or geopolitical crises, the expected growth rates could prove too ambitious.

Development of competitive and customer landscape

We expect competitors from Asia and the Middle East in particular to gain increasing significance in the years ahead. Furthermore, we predict that many producers in countries rich in raw materials will expand their value chains. We counter this risk through active portfolio management.

We continuously improve our processes in order to remain competitive through our operational excellence. We are streamlining our administration, sharpening the roles of services and regions, and simplifying procedures and processes as part of our ongoing Excellence Program.

In order to achieve lasting profitable growth, tap into new market segments and make our customers more successful, our research and business focus is on highly innovative business areas, some of which we enter into through strategic cooperative partnerships.

Innovation

The central research areas Process Research & Chemical Engineering, Advanced Materials & Systems Research and Bioscience Research serve as global platforms headquartered in our regions: Europe, Asia Pacific and North America. Together with the development units in our operating divisions, they form the core of the global Know-How Verbund. Our strong regional presence opens up opportunities to participate in local innovation processes and gain access to local talent. We optimize the effectiveness and efficiency of our research activities through our global Know-How Verbund.

Research activities funded by the BASF Group promote the targeted development and enhancement of key technologies as well as the establishment of new business areas. Focus areas in research are determined based on their strategic relevance for BASF, above and beyond existing business areas.

We also address the risk of the technical or economic failure of research and development projects by maintaining a balanced and comprehensive project portfolio, as well as through professional, milestone-based project management.

Potential applications of digital technologies and solutions along the entire value chain are evaluated and implemented in the divisions and service units as well as by cross-divisional teams. They are supported here by the Global Digital Services unit. We analyze the opportunities and risks of digitalization in Production, Logistics, Research & Development and for business models as well as in corporate functions such as Finance, Human Resources, Procurement & Supply Chain Services, Legal, Taxes, Insurance and Intellectual Property.

The opportunities and risks of digitalization are steered by the divisions and service units.

The trust of customers and consumers is essential for the successful introduction of new technologies. That is why we enter into dialog with our stakeholders at an early stage of development. The trend toward increased sustainability requirements in our customer industries continues. Our aim is to leverage the resulting opportunities in a growing market even more effectively in the future with innovations. This is why we applied the Sustainable Solution Steering method, which is used to evaluate the sustainability of our product portfolio, to assessments of innovation projects, and integrated it into an early stage of our research and development processes as well as the development of our business strategies. In this way, we want to benefit from the higher profitability of our Accelerator products compared with the rest of our evaluated portfolio. At the same time, we reduce reputational and financial risks by phasing out products for which we have identified substantial sustainability concerns ("Challenged" products) within five years of initial classification as such at the latest. We develop action plans for these products at an early stage to minimize any potential financial risks. These can include research projects, reformulations or even replacing one product with another.

Portfolio development through investments

Our decisions on the type, scope and locations of our investment projects are based on assumptions related to the long-term development of markets, margins and costs, as well as raw material availability and country, currency and technology risks. Opportunities and risks arise from potential deviations in actual developments from our assumptions.

Acquisitions, divestitures and cooperations

In the future, we will continue to expand and refine our portfolio through acquisitions that promise above-average profitable growth, are innovation-driven or offer a technological differentiation and help achieve a relevant market position, and make new, sustainable business models possible.

The evaluation of opportunities and risks plays a significant role during the assessment of acquisition targets. A detailed analysis and quantification is conducted as part of due diligence. Examples of risks include increased staff turnover, delayed realization of synergies, or the assumption of obligations that were not precisely quantifiable in advance. If our expectations in this regard are not met, risks could arise, such as the need to impair intangible assets; however, there could also be opportunities, for example, from additional synergies.

Divestitures also play a key role in the development of our portfolio. Risks could arise from divestitures as a result of potential warranty claims or other contractual obligations, such as long-term supply agreements.

Recruitment and long-term retention of qualified employees

BASF anticipates growing challenges in attracting qualified employees in the medium and long term due to demographic change, especially in Europe. As a result, there is an increased risk that job vacancies may not be filled with suitable applicants, or only after a delay. We address these risks with measures to integrate diversity, employee and leadership development, and intensified employer branding. At local level, demographic management includes succession planning, knowledge management and offerings to improve the balance between personal and professional life and promote healthy living. This increases BASF's appeal as an employer and retains our employees in the long term.

Sustainability

Opportunities and risks that could arise from material sustainability topics can only rarely be measured in specific financial terms and have an impact on business activities, especially in the medium to long term.

We reduce potential risks in the areas of environmental protection, safety and security, health protection, product stewardship, compliance, supplier relationships and labor and social standards by setting ourselves globally uniform requirements. These often go beyond local legal requirements.

We verify compliance with these standards through internal monitoring systems such as global surveys or audits. In 2020, for example, suppliers were audited for sustainability at a number of sites. Our global Code of Conduct was revised in 2020 to which all employees, managers and Board members are required to adhere. It defines a binding framework for our activities. The monitoring systems are complemented by grievance mechanisms such as our compliance hotlines.

Furthermore, ongoing climate change poses both opportunities and risks for BASF. As an energy-intensive company, climate-related risks arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation. In addition, BASF's emissions footprint and intensity could lead to a negative perception and reduced appeal among external stakeholders such as customers or investors. We counter these risks with

our carbon management measures and by transparently disclosing our positions on and contributions to climate protection (such as political demands, progress in the implementation of our climate strategy and how our products help to protect the environment) in publicly accessible sources (such as this annual report or on the BASF website) and in direct dialog with external stakeholders.

Risks to our production and our supply chain resulting from greater weather extremes (e.g. storms), highly fluctuating water levels and increased water temperatures are addressed by our risk management in production and in procurement. For example, we can no longer rule out extreme low-water situations or heat waves caused by climate change at our Verbund site in Ludwigshafen, Germany. In 2019/2020, we therefore implemented a package of climate resilience measures.

In addition to climate-related risks, there are also opportunities. Our broad product portfolio includes, among other things, solutions for the circular economy and climate protection (such as insulation foams for buildings, materials for electromobility and bio-based products). Increased social awareness offers additional market opportunities for these products. We are working with numerous scientific and public organizations and initiatives on solutions for sustainable agriculture that meet economic, ecological, and social demands over the long term.

Our decentralized specialists use a central decision tree to document reportable sustainability risks within the meaning of section 289b et seq. of the German Commercial Code. No reportable residual net risks within the meaning of section 289b et seq. of the German Commercial Code were identified for 2020.

Outlook

Global economic environment¹

For 2021, we expect the global economy to gradually recover after the sharp downturn resulting from the coronavirus pandemic. Gross domestic product (GDP) will return to roughly the pre-crisis level.

We assume the following conditions for 2021:

- We assume that global GDP will grow by 4.3% (2020: –3.7%).
- We anticipate an overall moderate GDP growth rate of 3.0% (2020: –6.4%) in the European Union (E.U.). We expect base effects to support growth momentum in countries that were hit especially hard by the pandemic. These include southern European countries with a high percentage of tourism, but also economies in northwestern and eastern Europe where industry is specialized in investment goods and automotive production. It is likely, though, that measures, to contain the coronavirus pandemic, which vary in degree among the different E.U. member countries, will continue to have a significant impact on economic growth. Furthermore, we expect Brexit to have a negative effect on economic growth in the E.U. In the United Kingdom, we are forecasting weak GDP growth of 2.4% due to Brexit and extremely high infection rates at the beginning of the year, after the considerable decline in the previous year (2020: –9.9%).
- We expect a GDP growth rate of 4.0% in the United States. The emerging markets of Asia will presumably see considerably higher growth rates (+6.9%). In Japan, we expect moderate GDP growth of just slightly above 2%. Growth prospects in South America will probably remain subdued. We are forecasting total GDP growth in this region of slightly above 4%.
- Overall, we anticipate 4.4% (2020: –4.0%) growth in global industrial production.
- Global chemical production (excluding pharmaceuticals) is expected to grow by 4.4% (2020: –0.4%) in 2021, which is above average for the years prior to the coronavirus pandemic.
- We anticipate an average oil price of \$50 for a barrel of Brent crude and an exchange rate of \$1.18 per euro.

For the years from 2021 to 2023, we expect the global economy to grow at an average annual rate of 3.7%.

Sales and earnings forecast²

Considering the assumptions described above for the development of the global economic environment, we expect sales in 2021 – excluding the effects of acquisitions and divestitures – to increase slightly compared with the previous year. In 2021, we expect income from operations to be considerably above the level of the reporting year, which was severely impacted by the coronavirus pandemic, for example through impairments on property, plant and equipment. In addition, income from operations in the reporting year was affected by special items recognized as expenses, particularly restructuring measures as part of the implementation of the corporate strategy.

Investment forecast

We are planning capital expenditures of around €2.1 billion for 2021 to 2023. Acquisitions are not included in the planned total.

Forward-looking statements and forecasts

These forecasts contain forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Potential opportunities and risks are presented on pages 36 to 42.

Dividend

We have an ambitious dividend policy and offer our shareholders an attractive dividend yield. We aim to increase our per-share dividend each year.

¹ Our assumptions account for current estimates by external institutions, including economic research institutes, banks, multinational organizations and consulting firms.

² For sales, "slight" represents a change of 1%–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/-0%). For earnings, "slight" means a change of 1%–10%, while "considerable" is used for changes of 11% and higher. "At prior-year level" indicates no change (+/-0%).

Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)

Corporate Governance Report

Corporate governance refers to the entire system for managing and supervising a company. This includes its organization, values, corporate principles and guidelines as well as internal and external control and monitoring mechanisms. Effective and transparent corporate governance ensures that BASF is managed and supervised responsibly with a focus on value creation. It fosters the confidence of our investors, the financial markets, our customers and other business partners, employees, and the public in BASF.

The fundamental elements of BASF SE's corporate governance system are: its two-tier system, with a transparent and effective separation of company management and supervision between BASF's Board of Executive Directors and the Supervisory Board; the equal representation of shareholders and employees on the Supervisory Board; and the shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting.

Direction and management by the Board of Executive Directors

The Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board, which monitors the Board of Executive Directors' activities and decides on its composition. A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board. As the central duty of company management, the Board of Executive Directors agrees on the corporate goals and strategic direction of the BASF Group as well as its individual business areas; determines the company's internal organization; and decides on the composition of management on the levels below the Board. It also manages and monitors BASF Group business by planning and setting the corporate budget, allocating resources and management capacities, monitoring and making decisions on significant individual measures, and supervising operational management.

The Board's actions and decisions are geared toward the company's best interests. It is committed to the goal of sustainably increasing the company's value. Among the Board's responsibilities is the preparation of the Consolidated and Separate Financial Statements of BASF SE and reporting on the company's financial and nonfinancial performance. Furthermore, it must ensure that the company's activities comply with the applicable legislation and regulatory requirements, as well as internal corporate directives. This includes the establishment of appropriate systems for control, compliance and risk management as well as establishing a company-wide compliance culture with undisputed standards.

Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made at regularly held Board meetings called by the chair of the Board of Executive Directors. Board decisions are based on detailed information and analyzes

provided by the business areas and specialist units, and, if deemed necessary, by external consultants. Board decisions can generally be made via a simple majority. In the case of a tied vote, the casting vote is given by the chair of the Board. However, the chair of the Board does not have the right to veto the decisions of the Board of Executive Directors. Members of the Board of Executive Directors are authorized to make decisions individually in their assigned areas of responsibility.

The Board can set up Board committees to consult and decide on individual issues such as proposed material acquisitions or divestitures; these must include at least three members of the Board of Executive Directors. For the preparation of important decisions, such as those on acquisitions, divestitures, investments and personnel, the Board has various commissions at the level below the Board. Independently of the affected business area, these commissions carefully assess the planned measures and evaluate the associated opportunities and risks. Based on this information, they report and make recommendations to the Board.

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company's strategic orientation with the Supervisory Board.

The Statutes of BASF SE and the Supervisory Board have defined certain transactions that require the Board of Executive Directors to obtain the Supervisory Board's approval prior to their conclusion. Such cases include the acquisition and disposal of enterprises and parts of enterprises, as well as the issue of bonds or comparable financial instruments. However, this is only necessary if the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last approved Consolidated Financial Statements of the BASF Group.

Competence profile, diversity concept and succession planning for the Board of Executive Directors

The Supervisory Board works hand in hand with the Board of Executive Directors to ensure long-term succession planning for the composition of the Board of Executive Directors. BASF aims to fill most Board positions with leaders from within the company. It is the task of the Board of Executive Directors to propose a sufficient number of suitable individuals to the Supervisory Board.

BASF's long-term succession planning is guided by the corporate strategy. It is based on systematic management development characterized by the following:

- Early identification of suitable leaders of different professional backgrounds, nationalities and genders
- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions

- Desire to shape strategic and operational decisions, and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting corporate values into practice

The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional experience, cultural background, international representation, gender and age when appointing members of the Board of Executive Directors. Irrespective of these individual criteria, a holistic approach will ultimately determine a person's suitability for appointment to the Board of Executive Directors of BASF SE. Both systematic succession planning and the selection process aim to ensure that the Board of Executive Directors as a whole has the following profile, which serves as a diversity concept:

- Many years of management experience in scientific, technical and commercial fields
- International experience based on background and/or professional experience
- At least one female Board member
- A balanced age distribution to ensure the continuity of the Board's work and enable seamless succession planning

The first appointment of members of the Board of Executive Directors is for a term of no more than three years. The standard age limit for members of the Board of Executive Directors is 63.

The number of members on the Board of Executive Directors is determined by the Supervisory Board. It is guided by insights gained by BASF as a company with an integrated leadership culture and is determined by the needs arising from cooperation within the Board of Executive Directors. The Supervisory Board considers six to be an appropriate number of Board members given the current business composition, future responsibilities associated with development and the fundamental organizational structure of the BASF Group.

The current composition of the Board of Executive Directors meets the competence profile and the requirements of the diversity concept in full.

Supervision of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board of Executive Directors on management issues. As members of the Supervisory Board cannot simultaneously be on the Board of Executive Directors, a high level of autonomy is already structurally ensured with regard to the supervision of the Board of Executive Directors.

In addition to the SE Council Regulation, the relevant legal basis for the size and composition of the Supervisory Board is provided by the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement), which also includes the regulations applicable to BASF

for implementing the statutory gender quota for the Supervisory Board. The German Codetermination Act does not apply to BASF as a European stock corporation (Societas Europaea, SE).

The Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Shareholders' Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group. In accordance with the resolution of the Annual Shareholders' Meeting on June 18, 2020, the period of appointment for newly elected members of the Supervisory Board was reduced from five to four years; and the Statutes were amended accordingly. This ensures that the maximum membership duration of 12 years up to which a Supervisory Board member can be classified as independent corresponds to a total of three election terms. In accordance with the German Corporate Governance Code (Code 2020), the Supervisory Board reduced the membership duration used as a basis for its independence rating from 15 to 12 years in December 2019.

The meetings of the Supervisory Board and its committees are called by their respective chairs and, independently, at the request of one of their members or the Board of Executive Directors. The shareholder and employee representatives of the Supervisory Board prepare for Supervisory Board meetings in separate preliminary discussions in each case. Resolutions of the Supervisory Board are passed by a simple majority vote of the participating members. In the event of a tie, the vote of the chair of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board. Resolutions can, as needed, also be made in writing or through communication outside of the meetings, as long as no member objects to this form of passing a resolution.

The Board of Executive Directors regularly informs the Supervisory Board about matters such as the course of business and expected developments, the financial position and results of operations, corporate planning, the implementation of the corporate strategy, business opportunities and risks, as well as risk compliance management. The Supervisory Board has embedded the main reporting requirements in an information policy. The chair of the Supervisory Board is in regular contact with the Board of Executive Directors, especially with its chair, outside of meetings as well.

BASF SE's Supervisory Board has established a total of four Supervisory Board Committees: the Personnel Committee, the Audit Committee, the Nomination Committee and the Strategy Committee.

Personnel Committee

Members

Dr. Kurt Bock (chair, since June 18, 2020),* Dr. Jürgen Hambrecht (chair, until June 18, 2020),* Franz Fehrenbach, Sinischa Horvat,* Michael Vassiliadis

Duties

- Prepares the appointment of members to the Board of Executive Directors by the Supervisory Board as well as the service contracts to be entered into with members of the Board of Executive Directors
- When making recommendations for appointments to the Board of Executive Directors, considers professional qualifications, international experience and leadership skills as well as long-term succession planning, diversity, and especially the appropriate consideration of women
- Prepares the resolutions made by the Supervisory Board with regard to the system and amount of compensation paid to members of the Board of Executive Directors

Audit Committee

Members

Dame Alison Carnwath DBE (chair),* Tatjana Diether,* Franz Fehrbach (until February 29, 2020), Anke Schäferkordt (since March 1, 2020),* Michael Vassiliadis

Duties

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports including the Nonfinancial Statements and discusses the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication
- Deals with monitoring the financial reporting process, the annual audit, the effectiveness of the internal control system, the risk management system, and the internal auditing system as well as compliance issues
- Is responsible for business relations with the company's external auditor: prepares the Supervisory Board's proposal to the Annual Shareholders' Meeting regarding the selection of an auditor; monitors the auditor's independence, defines the focus areas of the audit together with the auditor, negotiates auditing fees, evaluates the quality of the audit, and establishes the conditions for the provision of the auditor's nonaudit services; the chair of the Audit Committee regularly discusses this with the auditor outside of meetings as well
- Deals with follow-up assessments of key acquisition and investment projects
- Is responsible for monitoring the internal process of identifying related party transactions and ensuring adherence to statutory approval and disclosure requirements; grants approval of related party transactions
- Is authorized to request any information that it deems necessary from the auditor or Board of Executive Directors; can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections

Financial experts

Pursuant to the German Corporate Governance Code, Dame Alison Carnwath DBE, chair of the Audit Committee, has special knowledge of, and experience in, applying accounting and reporting standards and internal control methods and is familiar with the annual audit. A further financial expert on the Supervisory Board is the vice chair of the Supervisory Board, Franz Fehrenbach, who left the Audit Committee in February 2020, after 12 years of service.

Nomination Committee

Members

Dr. Kurt Bock (chair, since June 18, 2020),* Dr. Jürgen Hambrecht (chair, until June 18, 2020),* Prof. Dr. Thomas Carell,* Dame Alison Carnwath DBE,* Liming Chen (since December 17, 2020),* Dr. Alexander C. Karp (until July 22, 2020),* Franz Fehrenbach, Anke Schäferkordt*

Duties

- Identifies suitable individuals for the Supervisory Board based on objectives for the composition decided on by the Supervisory Board
- Prepares the recommendations made by the Supervisory Board for the election of Supervisory Board members for the Annual Shareholders' Meeting

Strategy Committee

Members

Dr. Kurt Bock (chair, since June 18, 2020),* Dr. Jürgen Hambrecht (chair, until June 18, 2020),* Dame Alison Carnwath DBE,* Franz Fehrenbach, Waldemar Helber,* Sinischa Horvat,* Michael Vassiliadis

Duties

- Handles the further development of the company's strategy
- Prepares resolutions of the Supervisory Board on the company's major acquisitions and divestitures

Meetings and meeting attendance

In the 2020 business year, meetings were held as follows:

- The Supervisory Board met seven times.
- The Personnel Committee met four times.
- The Audit Committee met six times.
- The Nomination Committee met twice.
- The Strategy Committee did not meet.

With the exception of one meeting, at which one member was absent, all respective members attended all meetings of the Supervisory Board. With the exception of two meetings of the Nomination Committee, at each of which one member was absent, and one meeting of the Audit Committee, at which one member was absent, all respective members attended all meetings of the Supervisory Board's committees.

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 47 for the criteria used to determine independence)

The meetings of the Supervisory Board and its committees since the beginning of the coronavirus pandemic in 2020 have been held in accordance with appropriate safety measures and in compliance with restrictions on assembly and travel as per the applicable infection prevention laws. They took place as in-person meetings with the additional option of virtual attendance via electronic communication and as completely virtual meetings solely via electronic communication.

Competence profile, diversity concept and objectives for the composition of the Supervisory Board

One important concern of good corporate governance is to ensure that seats on the responsible corporate bodies, the Board of Executive Directors and the Supervisory Board, are appropriately filled. On December 21, 2017, the Supervisory Board therefore agreed on objectives for the composition, the competence profile and the diversity concept of the Supervisory Board in accordance with section 5.4.1 of the German Corporate Governance Code in the version dated February 7, 2017, and section 289f(2) no. 6 of the German Commercial Code (HGB). These were expanded on December 19, 2019, in particular with respect to the criteria for assessing independence, based on the new recommendations of the German Corporate Governance Code, which was revised and amended in 2019 (2020 Code). The guiding principle for the composition of the Supervisory Board is to ensure qualified supervision and guidance for the Board of Executive Directors of BASF SE. Individuals shall be nominated to the Annual Shareholders' Meeting for election to the Supervisory Board who can, based on their professional expertise and experience, integrity, commitment, independence and character, successfully perform the work of a supervisory board member at an international chemical company.

Competence profile

The following requirements and objectives are considered essential to the composition of the Supervisory Board as a collective body:

- Leadership experience in managing companies, associations and networks
- Members' collective knowledge of the chemical sector and the related value chains
- Appropriate knowledge within the body as a whole of finance, accounting, financial reporting, law and compliance as well as one independent member with accounting and auditing expertise ("financial expert") within the meaning of section 100(5) of the German Stock Corporation Act (AktG)
- At least one member with in-depth experience in innovation, research & development and technology
- At least one member with in-depth experience in digitalization, information technology, business models and start-ups
- At least one member with in-depth experience in human resources, society, communications and the media
- Specialist knowledge and experience in sectors outside of the chemical industry

Diversity concept

The Supervisory Board strives to achieve a reasonable level of diversity with respect to character, gender, international representation, professional background, specialist knowledge and experience as well as age distribution, and takes the following composition criteria into account:

- At least 30% women and 30% men
- At least 30% of members have international experience based on their background or professional experience
- At least 50% of members have different educational backgrounds and professional experience
- At least 30% under the age of 60

Further composition objectives

- **Character and integrity:** All members of the Supervisory Board must be personally reliable and have the knowledge and experience required to diligently and independently perform the work of a supervisory board member.
- **Availability:** Each member of the Supervisory Board ensures that they invest the time needed to properly perform their role as a member of the Supervisory Board of BASF SE. The statutory limits on appointments to governing bodies and the recommendations of the German Corporate Governance Code must be complied with when accepting further appointments.
- **Age limit and period of membership:** Persons who have reached the age of 72 on the day of election by the Annual Shareholders' Meeting should generally not be nominated for election. Membership on the Supervisory Board should generally not exceed three regular statutory periods in office, which will correspond to 12 years in the future.
- **Independence:** To ensure the independent monitoring and consultation of the Board of Executive Directors, the Supervisory Board should have an appropriate number of independent members on the board as a whole, and an appropriate number of independent shareholder representatives. The Supervisory Board deems this to be the case if more than half of the shareholder representatives and at least eight members of the Supervisory Board as a whole can be considered independent. The Supervisory Board's assessment of independence is based on the criteria in the new version of the German Corporate Governance Code, which was revised in 2019 (2020 Code). Among other things, this means that members of the Supervisory Board are no longer considered independent if they have been a member of the board for 12 years or longer. The Supervisory Board has additionally defined the following principles to clarify the meaning of independence: The independence of employee representatives is not compromised by their role as an employee representative or employment by BASF SE or a Group company. Prior membership of the Board of Executive Directors of BASF SE does not preclude independence following the expiry of the statutory cooling-off period of two years. Material transactions between a Supervisory Board member or a related party or undertaking of the Supervisory Board member on the one hand, and BASF SE or a BASF Group company on the other, exclude a member of the Supervisory Board from being qualified as independent. A material transaction is defined as one or more transactions in a

single calendar year with a total volume of 1% or more of the sales of the companies involved in each case. In the same way, if a Supervisory Board member or a related party of a Supervisory Board member has a personal service or consulting agreement with BASF SE or one of its Group companies with an annual compensation of over 50% of the Supervisory Board compensation, they do not qualify as independent. Furthermore, if a Supervisory Board member or a related party of a Supervisory Board member holds more than 20% of the shares in a company in which BASF SE is indirectly or directly the majority shareholder, the necessary independence is also not met.

Status of implementation

According to the Supervisory Board's own assessment, its current composition meets all of the requirements of the competence profile. With the court appointment of the new Supervisory Board member Liming Chen on October 8, 2020, the competence area of digitalization – which is key to the future viability of BASF – will continue to be fully covered, despite the departure of Alexander C. Karp on July 22, 2020.

According to the Supervisory Board's assessment, nine (five shareholder representatives and four employee representatives) of the 12 current members are considered independent based on the above criteria. As of January 2020, shareholder representative Franz Fehrenbach is no longer classified as independent, because he has been a member of the Supervisory Board since January 2008 and no longer meets the criterion of a membership duration of less than 12 years. The same applies to employee representative Denise Schellemans, who has also been a member of the Supervisory Board since January 2008, and to employee representative Michael Vassiliadis, who has been a member of the Supervisory Board since August 2004.

Commitments to promote the participation of women in leadership positions at BASF SE

The supervisory board of a publicly listed European stock corporation (SE) that is composed of the same number of shareholder and employee representatives must, according to section 17(2) of the SE Implementation Act, consist of at least 30% women and 30% men. Since the 2018 Annual Shareholders' Meeting, the Supervisory Board of BASF SE comprises four women, of whom two are shareholder representatives and two are employee representatives, and eight men. The Supervisory Board's composition meets the statutory requirements.

As a target figure for the Board of Executive Directors, the Supervisory Board determined that, in accordance with section 111(5) AktG for the second target-attainment period after the law's entry into force, which began on January 1, 2017, the Board of Executive Directors should continue to have at least one female member. This represented 12.5% on the date the target was set (based on eight members of the Board of Executive Directors), and represents 16.7% as of January 1, 2020 (based on six Board members). With

the appointment of Dr. Melanie Maas-Brunner to the Board of Executive Directors, effective as of February 1, 2021, there will be two female Board members. The proportion of women will be 33.3% upon Wayne T. Smith's departure on May 31, 2021.

The Board of Executive Directors also decided on target figures for the proportion of women in the two management levels below the Board of Executive Directors of BASF SE: Women are to make up 12.1% of the leadership level directly below the Board, and the level below that is to comprise 7.3% women. This corresponds to the status at the time these target figures were determined. The deadline for achieving the goals for the second target-attainment period was set for December 31, 2021. The goals for the second target-attainment period were reached ahead of schedule at the end of 2019.

BASF views the further development and promotion of women as a global duty independent of individual Group companies. It has committed to ambitious targets that were further raised in 2020. The new target is to increase the proportion of women in leadership worldwide to 30% by 2030. BASF will continue to work systematically on expanding the percentage of women in its leadership team. To achieve this, global measures will be implemented and enhanced continuously.

Shareholders' rights

Shareholders exercise their rights of co-administration and supervision at the Annual Shareholders' Meeting, which usually takes place within the first five months of the business year. The Annual Shareholders' Meeting elects half of the members of the Supervisory Board and, in particular, resolves on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buy-backs, changes to the Statutes and the selection of the auditor.

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the beginning of the voting process during the Annual Shareholders' Meeting. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one

vote.” All shareholders entered in the share register are entitled to participate in the Annual Shareholders’ Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as this is necessary to make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Annual Shareholders’ Meeting and to contest resolutions of the Meeting and have them evaluated for their lawfulness in court. Shareholders who hold at least €500,000 of the company’s share capital, a quota corresponding to 390,625 shares, are furthermore entitled to request that additional items be added to the agenda of the Annual Shareholders’ Meeting.

Due to assembly restrictions resulting from the coronavirus pandemic, the 2020 Annual Shareholders’ Meeting took place virtually without the physical presence of shareholders in accordance with special regulations prescribed by the COVID-19 Act passed by the lower house of the German parliament (Bundestag) in March 2020. To ensure legally compliant execution of this special Annual Shareholders’ Meeting format, whereby shareholders participated solely via electronic communication, some of the aforementioned shareholder rights and options for action were limited or handled in an exceptional manner at this virtual meeting. With a few amendments, these special policies are valid for Annual Shareholders’ Meetings in 2021 as well.

Implementation of the German Corporate Governance Code

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company. BASF SE follows all of the recommendations of the German Corporate Governance Code in the version dated December 16, 2019 (Code 2020), the version in force on submission of the Declaration of Conformity. In the same manner, BASF follows all of the nonobligatory suggestions of the German Corporate Governance Code.

For more information on the Declaration of Conformity 2020, the implementation of the Code’s suggestions and the German Corporate Governance Code, see basf.com/en/corporategovernance

Disclosures according to section 289a of the German Commercial Code (HGB)¹ and explanatory report of the Board of Executive Directors according to section 176(1) sentence 1 of the German Stock Corporation Act (AktG)

As of December 31, 2020, the subscribed capital of BASF SE was €1,175,652,728.32, divided into 918,478,694 registered shares with no par value. Each share entitles the holder to one vote at the Annual Shareholders’ Meeting. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates. There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, section 16 of the SE Implementation Act

and sections 84 and 85 AktG as well as Article 7 of the Statutes of BASF SE. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chair, as well as one or more vice chairs. The members of the Board of Executive Directors are appointed for a maximum of five years. The maximum initial term of appointment is three years. Reappointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence by the Annual Shareholders’ Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

According to Article 59(1) of the SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Shareholders’ Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, section 179(2) of the German Stock Corporation Act requires a majority of at least three-quarters of the subscribed capital represented. Pursuant to Article 12(6) of the Statutes of BASF SE, the Supervisory Board is authorized to resolve on amendments to the Statutes that merely concern their wording. This applies in particular to the adjustment of the share capital and the number of shares after the redemption of repurchased BASF shares and after a new issue of shares from authorized capital.

By way of a resolution of the Annual Shareholders’ Meeting on May 3, 2019, the Board of Executive Directors is authorized, with the consent of the Supervisory Board, to increase, until May 2, 2024, on a one-off basis or in portions on a number of occasions, the company’s share capital by a total of up to €470 million by issuing new shares against contributions in cash or in kind (authorized capital). A right to subscribe to the new shares shall be granted to shareholders. This can also be achieved by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory subscription right of shareholders to a maximum amount of a total of 10% of share capital in certain exceptional cases that are defined in Article 5(8) of the BASF SE Statutes. This applies in particular if, for capital increases in return for cash contributions, the issue price of the new shares is not substantially lower than the stock market price of BASF shares and the total number of shares issued under this authorization does not exceed 10% of the shares currently in issue or, in eligible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

By way of a resolution of the Annual Shareholders’ Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new shares. The contingent capital increase serves to grant shares to the holders of

¹ In the version applicable to the Financial Statements and Management’s Report for the 2020 fiscal year pursuant to Article 83 of the Introductory Act on the German Commercial Code (EGHGB)

convertible bonds or warrants attached to bonds with warrants of BASF SE or a subsidiary, which the Board of Executive Directors is authorized to issue up to May 11, 2022, by way of a resolution of the Annual Shareholders' Meeting on May 12, 2017. A right to subscribe to the bonds shall be granted to shareholders. The Board of Executive Directors is authorized to exclude the shareholders' subscription right in certain exceptional cases – as defined in Article 5(9) of the BASF SE Statutes.

At the Annual Shareholders' Meeting on May 12, 2017, the Board of Executive Directors was authorized to purchase up to 10% of the shares in issue at the time of the resolution (10% of the company's share capital) until May 11, 2022. At the discretion of the Board of Executive Directors, the purchase can take place on the stock exchange or by way of a public purchase offer directed to all shareholders. The Board of Executive Directors is authorized to sell the repurchased company shares (a) through a stock exchange, (b) through a public offer directed to all shareholders and – with the approval of the Supervisory Board – to third parties, (c) for a cash payment that is not significantly lower than the stock exchange price at the time of sale and (d) for contributions in kind, particularly in connection with the acquisition of companies, parts of companies or shares in companies or in connection with mergers. In the cases specified under (c) and (d), the shareholders' subscription right is excluded. The Board of Executive Directors is furthermore authorized to retire the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the retired shares.

Bonds issued by BASF SE and its subsidiaries grant the bearer the right to request early repayment of the bonds at nominal value if, after the date of issue of the bond, one person – or several persons acting together – hold or acquire a volume of BASF SE shares that corresponds to more than 50% of the voting rights (change of control), and one of the rating agencies named in the bond's terms and conditions withdraws its rating of BASF SE or the bond, or reduces it to a noninvestment grade rating within 120 days of the change of control event.

An exceptional change of control compensation awarded to outgoing members of the Board of Executive Directors has not existed since January 1, 2020, as of the introduction of the amended compensation system for the Board of Executive Directors, which was approved by the Annual Shareholders' Meeting on June 18, 2020. The general rule for severance payments granted for premature terminations of appointments to the Board of Executive Directors applies, which states that the maximum severance payment may not exceed the amount of two years' compensation; however, this may not exceed the compensation for the remaining period of the contract.

By contrast, employees of BASF SE and its subsidiaries who are classed as senior executives will still receive a severance payment if their contract of employment is terminated by BASF within 18 months of a change of control event, provided the employee has

not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a maximum severance payment of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change of control event. A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. The remaining specifications stipulated in section 289a HGB refer to situations that are not applicable to BASF SE.

Directors' and officers' liability insurance

BASF SE has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (directors' and officers' liability insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 AktG (10% of damages up to 1.5 times the fixed annual compensation).

Share ownership by members of the Board of Executive Directors and the Supervisory Board

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the total volume of BASF SE shares and related financial instruments held by members of the Board of Executive Directors and the Supervisory Board accounts for less than 1% of the shares issued by the company.

Share dealings of the Board of Executive Directors and Supervisory Board¹

As legally stipulated by Article 19(1) MAR, all members of the Board of Executive Directors and the Supervisory Board as well as certain members of their families are required to disclose the purchase or sale of financial instruments of BASF SE (e.g., shares, bonds, options, forward contracts, swaps) to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €20,000. In 2020, a total of 26 purchases by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported as directors' dealings, involving between 17 and 10,000 BASF shares or BASF ADRs (American Depositary Receipts). The price per share was between €38.99 and €66.49. The volume of the individual trades was between €978.29 and €479,087.94. The disclosed share transactions are published on BASF SE's website.

¹ Obligatory reportable and publishable directors' dealings under Article 19(1) of the E.U. Market Abuse Regulation 596/2014 (MAR)

Compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations, the company's internal guidelines and ethical business practices. Our employee Code of Conduct firmly embeds these mandatory standards into day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

Compliance Program and Code of Conduct

BASF's Compliance Program is based on our corporate values and voluntary commitments, as well as international standards. It describes our commitment to responsible conduct and expectations around how all BASF employees interact with business partners, officials, coworkers and the community. At the core of our Compliance Program is the global, standardized Code of Conduct. All employees and managers are obligated to adhere to its guidelines, which cover topics ranging from corruption and antitrust laws to human rights, labor and social standards, conflicts of interest and trade control, and protection of data privacy.

BASF's global Code of Conduct from 2013 was thoroughly revised and republished in June 2020. The content of the new Code of Conduct is fundamentally the same as that of the previous global Code of Conduct but has been supplemented with specific additional topics. New sections include "Digital Responsibility" and "How We Make Decisions." A greater emphasis is placed on the importance of raising concerns openly and speaking up when our gut feeling tells us to. A further focus of the new version is its modern design, which offers employees more user-friendly features such as case studies, FAQs and additional references. A new internal online platform and the corresponding app are available to employees worldwide, providing them continuously with up-to-date content, interactive educational options as well as direct contact to subject specialists.

Abiding by compliance standards is the foundation of responsible leadership. This has also been embedded in our values. We are convinced that compliance with these standards will play a key role in securing our company's long-term success. Our efforts are principally aimed at preventing violations from the outset.

We perform a systematic risk assessment to identify the risk of compliance violations, including corruption risks. These are conducted at divisional, regional and country levels. The regular compliance audits performed by the Corporate Audit department are another source of information for the systematic identification of risks. These risks are documented in the relevant risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in the prevention of compliance violations is compulsory training and workshops held as classroom or online courses. All employees are required within a prescribed time frame to take part in basic compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. In addition, the new Code of Conduct

contains a section dedicated to leading with integrity. Newly appointed senior executives therefore receive special training on compliance. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 42,000 participants worldwide received around 54,000 hours of compliance training in 2020.

 For more information on the BASF Code of Conduct, see [basf.com/code_of_conduct](https://www.basf.com/code_of_conduct)

Compliance culture at BASF

We firmly believe that for corporate responsibility to be a success, there must be an active culture of living these guidelines within the company. Thanks to the early introduction of our compliance standards, which were consolidated in our global Code of Conduct in 2013 and republished in June 2020 in our currently applicable global Code of Conduct, these are firmly established and recognized. We expect all employees to act in line with these compliance principles. Managers place a key role here – they serve as an example of and communicate our values and culture both internally and externally.

Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. The CCO is supported in this task by the Corporate Compliance unit and more than 100 compliance officers worldwide in the regions and countries as well as in the divisions. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The CCO reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult their managers, specialist departments, such as the Legal department, and company compliance officers. The new internal platform and corresponding app also help employees to access advice by enabling direct contact. In addition, we have set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report potential violations of laws or company guidelines. All hotlines are also open to the public. Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2020, 387 calls and emails were received by our external hotlines (2019: 408). The information received related to all categories of our Code of Conduct, including environmental and human rights issues, corruption and handling of company property. We carefully investigated all cases of suspected misconduct that came to our attention

and, when necessary, took countermeasures on a case-by-case basis. These included, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. In such isolated cases, we took disciplinary measures in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success. In 2020, violations of our Code of Conduct led to termination of employment in a total of 31 cases (2019: 52). This relates to all employee groups, including senior executives.

BASF's Corporate Audit department monitors adherence to compliance principles, covering all areas in which compliance violations could occur. They check that employees uphold regulations and make sure that the established processes, procedures and monitoring tools are appropriate and sufficient to minimize potential risks or preclude violations in the first place. In 2020, 61 Group-wide audits of this kind were performed (2019: 86). Our compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in November 2018. Overall, the audits confirmed the effectiveness of the compliance management system.

We monitor our business partners in sales for potential compliance risks based on the global Guideline on Business Partner Due Diligence using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If business partners are not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities, and whether there are business processes with business partners from or in countries under embargo.

We support the United Nations' Guiding Principles on Business and Human Rights and are constantly working to enhance our internal guidelines and processes in keeping with these principles. For example, there is an internal guideline to respect international labor and social standards that is applicable throughout the Group. Outside of our company, too, we support respect for human rights and the fight against corruption. We are a founding member of the United Nations Global Compact. As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives.

As prescribed by BASF's Code of Conduct and corporate values, we adhere to uniformly high standards and integrity regarding tax-related issues. To aid in the achievement of the U.N. SDGs and to meet our own standards for the creation of economic and social value, we contribute to public finances in accordance with legal requirements and our corporate values. BASF's Value to Society approach considers taxes paid by BASF to be a social advantage. In 2020, we developed and published our BASF tax principles, which are binding for all Group entities.

 For more information on human rights and labor and social standards, see basf.com/human_rights

Declaration of Conformity

Declaration of Conformity 2020 of the Board of Executive Directors and the Supervisory Board of BASF SE

The Board of Executive Directors and the Supervisory Board of BASF SE hereby declare pursuant to section 161 of the German Stock Corporation Act (AktG)

1. The recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017, published by the Federal Ministry of Justice on April 24, 2017, in the official section of the Federal Gazette have been complied with since the submission of the last Declaration of Conformity in December 2019.
2. The recommendations of the Government Commission on the German Corporate Governance Code as amended on December 16, 2019, published by the Federal Ministry of Justice on March 20, 2020, in the official section of the Federal Gazette are complied with.

Ludwigshafen, December 2020

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Compensation Report

This report outlines the main principles of the compensation for the Board of Executive Directors and discloses the amount and structure of the compensation of each Board member. Furthermore, it provides information on end-of-service undertakings with respect to members of the Board of Executive Directors, as well as information on the compensation of Supervisory Board members.

- New compensation system for Board of Executive Directors applied for the first time in 2020
- The one-year variable compensation is 70% below the prior-year level (sum of performance bonus part 1 and part 2)
- Members of the Board of Executive Directors voluntarily relinquished 20% of their fixed compensation in the second quarter of 2020

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on the Disclosure of Management Board Remuneration (VorstOG) as well as the German Act on the Appropriateness of Management Board Remuneration (VorstAG), and is aligned with the recommendations of the German Corporate Governance Code (GCGC) in the version dated December 16, 2019. The existing system of compensation for the Board of Executive Directors was amended as of January 1, 2020, by resolution of the Supervisory Board in order to meet the changed requirements from the 2020 fiscal year onward arising from the German Act Implementing the Second E.U. Shareholder Rights Directive (ARUG II), which also entered into force on January 1, 2020, and from the German Corporate Governance Code (GCGC) in the version dated December 16, 2019. The amended compensation system for members of the Board of Executive Directors was approved by the Annual Shareholders' Meeting on June 18, 2020. Significant changes apply to the variable compensation and the pension benefits. The amended and simplified system of compensation for members of the Board of Executive Directors has been applicable since January 1, 2020, for all service contracts for members of the Board of Executive Directors.

Principles

The compensation of the Board of Executive Directors is determined by the company's size, complexity and financial position, as well as the performance of the Board of Executive Directors as a whole (*Gesamtvorstand*). It is designed to contribute to sustainable corporate development and the achievement of strategic corporate goals. The long-term strategic goals communicated as part of BASF's strategy form the key performance indicators for the short-term and long-term variable compensation and thus foster the sustainable development of the company.

- The strategic target "**yield**" refers to an annual return on capital employed (ROCE) above the cost of capital percentage. The ROCE serves as the key performance indicator for determining the performance bonus (**short-term incentive, STI**).

- The strategic targets "**growth**," "**profitability**" and "**CO₂-neutral growth until 2030**" are represented in the new **long-term incentive (LTI)** program. The final number of performance share units (PSUs) is determined based on the level of target achievement for the three strategic targets over the entire four-year period of the LTI program.

By taking into account the total shareholder return (development of the share price and dividend), the new LTI enables both members of the Board of Executive Directors and shareholders to participate in the sustainable development of the company.

The compensation of the Board of Executive Directors is marked by a pronounced variability in relation to the performance of the Board of Executive Directors as a whole and the BASF Group's success. The external and internal appropriateness of the Board's compensation is reviewed by an independent external auditor on a regular basis. DAX companies in Germany and globally operating companies in the rest of Europe¹ serve as an external reference.

For internal comparison, the compensation of senior executives and employees of BASF SE is considered in total as well as over time.

Based on a proposal by the Personnel Committee, the Supervisory Board determines the structure and amount of compensation of members of the Board of Executive Directors. In the event of significant amendments, but at least every four years, the compensation system resolved by the Supervisory Board is presented to the Annual Shareholders' Meeting for approval.

In very exceptional cases (such as a severe economic crisis), the Supervisory Board can temporarily deviate from the components of the compensation system (procedures and rules on the compensation structure and amount as well as relating to the individual compensation components) for the Board of Executive Directors, if this is in the interest of the long-term well-being of the company.

¹ The European peer group for the 2019 appropriateness review comprised the following companies: ABB, Air Liquide, Akzo Nobel, BAE Systems, Bayer, BHP, BMW, BP, Continental, Daimler, DSM, E.ON, EDF, Henkel, Linde, Rolls Royce, Royal Dutch Shell, Siemens, Solvay, Thyssenkrupp, Total, Volkswagen.

Overview of compensation system

| | | | |
|--------------------------------------|--|---|---|
| Non-performance-related compensation | 1. Fixed salary | Annual amount | €800,000 ¹ |
| | | Payment in equal instalments | |
| | 2. Fringe benefits | Annual target | €50,000 ² |
| | | Cap | €100,000 ² corresponds to 200% of the annual target amount |
| | 3. Company pension benefits | Annual target | €500,000 ¹ |
| | | Fixed annual pension contribution | |
| Performance-related compensation | 4. Short-term incentive (STI) with one-year performance period | Annual target | €1,000,000 ¹ |
| | | Cap | €2,000,000 ¹ corresponds to 200% of the annual target amount |
| | | Payment after the Annual Shareholders' Meeting for the past fiscal year | |
| | 5. Long-term incentive (LTI) Performance Share Plan with four-year performance period | Annual target | €1,400,000 ¹ |
| | Cap | €2,800,000 ¹ corresponds to 200% of the annual target amount | |
| | | Payment after the Annual Shareholders' Meeting following the four-year performance period | |

¹ Two times this value for the chair of the Board of Executive Directors and 1.33 times this value for the vice chair

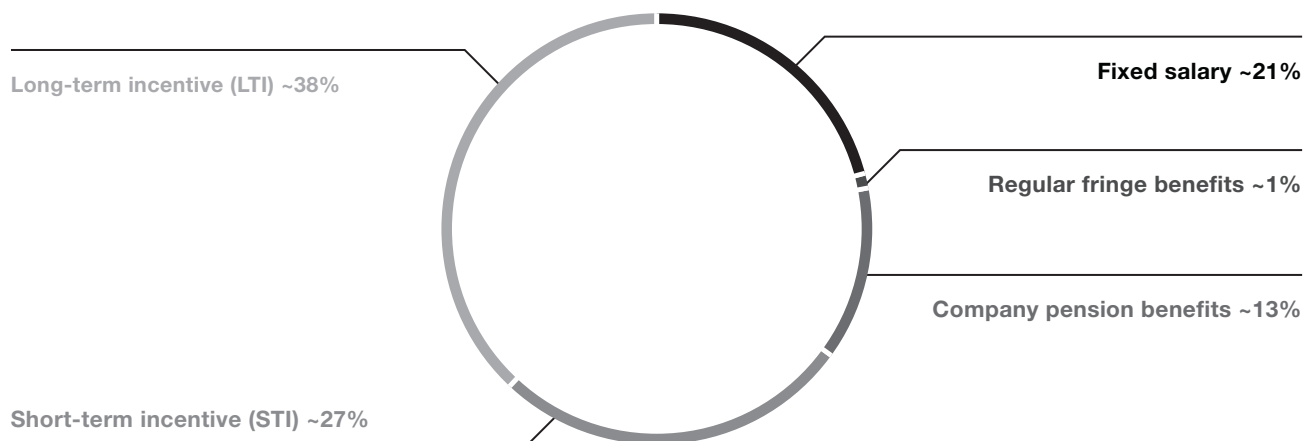
² The amount represents the target or maximum amount for the 2020 fiscal year for regularly granted fringe benefits. If one-off fringe benefits and/or transfer-related fringe benefits are granted in individual cases, the maximum amounts specified for this also apply.

Since January 1, 2020, the compensation system for the Board of Executive Directors contains the components listed in the overview with the target and maximum amounts valid for the 2020 fiscal year.

Components of the compensation system also include a withholding and clawback clause for variable compensation components as well as a Share Ownership Guideline, which obliges members of the Board of Executive Directors to hold a defined number of shares for the length of their Board mandate and beyond.

The relative proportions of the individual compensation components in the target total remuneration of members of the Board of Executive Directors are:

Relative proportions of the compensation components in annual target total remuneration¹



¹ In individual cases, slight deviations are possible due to rounding.

Individual compensation components

1. Fixed salary

The fixed salary is a set amount of yearly compensation paid out in equal installments. It is regularly reviewed by the Supervisory Board and adjusted, when appropriate.

The annual fixed salary for a member of the Board of Executive Directors has been €800,000 since January 1, 2017. The fixed salary for the chair of the Board of Executive Directors is two times the value for a Board member, and 1.33 times this value for the vice chair.

2. Nonmonetary compensation and other additional compensation (fringe benefits)

Members of the Board of Executive Directors receive various fringe benefits, in some instances event-related fringe benefits. The regularly provided fringe benefits include accident insurance premiums, transportation and benefits from the provision of security measures by the company. The one-time, event-related fringe benefits include, inter alia, security measures at the member's private residence upon initial appointment to the Board of Executive Directors. The delegation-related fringe benefits for members of the Board of Executive Directors who are based abroad include fringe benefits to cover additional costs of transfers, such as assumption of prevailing local rental costs and school fees at the assignment location, or the granting of a basic allowance and the assumption or reimbursement of additional taxes. The fringe benefits granted by the company are capped.

The members of the Board are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company, which includes a deductible. This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 of the German Stock Corporation Act.

3. Company pension benefits

The previous pension benefits granted to members of the Board of Executive Directors (Board Performance Pension, deferred compensation program and basic coverage under BASF Pensionskasse) were discontinued as of January 1, 2020, and replaced by a new defined contribution pension.

Company pension benefits

- Defined contribution pension commitment in the form of an external capital investment model
- Pension entitlement: retirement, disability and surviving dependents' pensions
- Possibility to opt out in favor of an annual pension allowance

Since January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model. The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution:

- For the purpose of building retirement assets (retirement capital), the company pays pension contributions into an investment model to be chosen by the company. The pension account is managed by an external provider. The performance of the paid-in contributions is determined by the returns generated by the investment model. However, each member of the Board of Executive Directors is guaranteed a benefit of least 80% of the amount of the pension contributions paid by the company.
- The pension benefits include disability and survivor benefits. The disability capital corresponds to the value of the pension account at the time the disability occurs, but at least to 80% of the sum of the pension contributions paid by the company. The surviving dependents capital corresponds to the value of the pension account at the time of death of the member of the Board of Executive Directors, but at least to 80% of the sum of the pension contributions paid by the company.
- Members of the Board of Executive Directors can choose a pension allowance for private retirement savings instead of the defined contribution pension commitment. In this case, the defined annual pension contribution amount is paid in equal monthly installments as a gross amount to the member of the Board of Executive Directors. In this case, there is no further claim to benefits following the conclusion of the Board mandate, since the annual pension contribution is paid as a gross amount to the Board member in equal monthly installments during the term of the mandate.

For future entitlements from the new defined contribution pension commitment in the form of a capital investment model, the following applies:

- The pension benefit is paid as a capital payment, possibly in as many as 10 installments. Moreover, there is the possibility of choosing an annuity (lifetime pension payment).
- For conversion into an annuity, the actuarial parameters relevant at this point in time are used.
- If the member of the Board of Executive Directors dies while receiving the annuity, the surviving spouse receives a survivor benefits pension corresponding to 60% of the annuity. The same applies for civil partners.
- Current pensions are increased annually by 1% as of January 1.

4. Short-term incentive (STI)

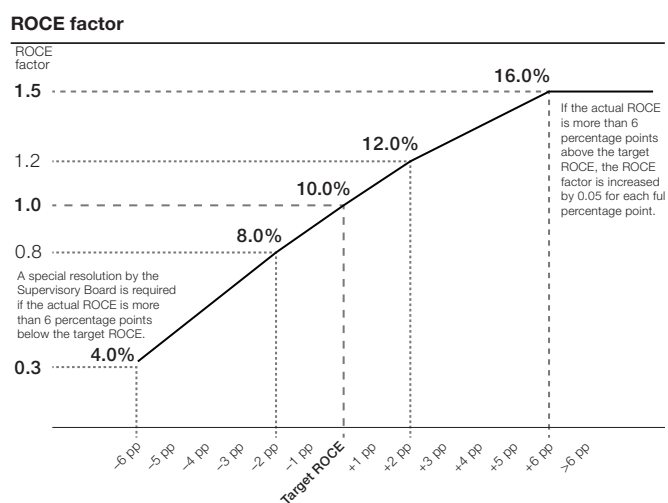
Short-term incentive (STI)

- One-year performance period
- The amount of the STI is based on the achievement of set operational and strategic targets as well as the BASF Group's ROCE.
- The payout is limited to 200% of the target amount (cap).
- The payment occurs after the Annual Shareholders' Meeting following the fiscal year.

For each fiscal year, an STI with a one-year performance period is granted. The STI is based on the achievement of operational and strategic goals as well as the return on capital employed (ROCE), which is relevant for the compensation of all employees. The actual STI amount is paid out after the Annual Shareholders' Meeting in the following year.

With the ROCE as the key performance indicator for the variable compensation, the short-term variable compensation is directly linked to the company's operating success and aligned with the BASF Group's financial goal of earning a premium on the cost of capital. The ROCE of the particular fiscal year serves as the key performance indicator for the success of the company when determining the STI. ROCE is the ratio of income from operations (EBIT) of the segments in relation to the average operating assets of the segments, plus the customer and supplier financing not included there.

The target ROCE for the variable compensation is one percentage point above the cost of capital percentage for the fiscal year, which is determined using the weighted average cost of capital (WACC) approach in accordance with the capital asset pricing model. A ROCE factor is assigned to each relevant ROCE value. If the ROCE is two percentage points or more below the target ROCE, the ROCE factor will decline at a faster rate. The ROCE factor will increase at a slower rate if the ROCE is two percentage points or more above the target ROCE.



The ROCE factor is 1.0 if the ROCE achieved in the fiscal year is one percentage point above the weighted cost of capital percentage (based on the WACC in accordance with the capital asset pricing model) for that year, meaning an appropriate premium on the cost of capital was earned.

In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (for example, integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of plus or minus 1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

The Supervisory Board sets a maximum amount for the STI (cap). The current cap is €2,000,000 for a member of the Board of Executive Directors. The maximum amount for the chair of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chair.

For the fiscal year 2020, the target ROCE was 10% with a cost of capital percentage of 9%. This figure is reviewed and communicated annually. In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the Board of Executive Directors as a whole. The target agreement contains:

- One-year operational targets, primarily earnings, financial and operational excellence targets. This includes, for example, EBIT before special items.
- One-year strategic targets relating to the further development of BASF, primarily targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and BASF corporate values.

These targets are in line with the outlook published in the forecast. A performance factor with a value between 0 and 1.5 is determined on the basis of the target achievement ascertained by the Supervisory Board. A target achievement rate of 100% equates to a value of 1.0 for the performance factor.

| Target achievement | ≤50% | 75% | 100% | ≥125% |
|--------------------|------|-----|------|-------|
| Performance factor | 0 | 0.5 | 1.0 | 1.5 |

Values between these figures are interpolated

The payout of the STI is determined as follows:

$$\boxed{\text{Target STI}} \times \boxed{\text{ROCE factor}} \times \boxed{\text{Performance factor}} = \boxed{\text{STI payout (gross)}}$$

The payout is limited to 200% of the target amount (cap).

5. Long-term incentive (LTI)

The LTI plan incentivizes the achievement of strategic goals and takes into consideration the development of the BASF share and dividend (Total Shareholder Return) over a period of four years. The LTI is also offered with slight variations to senior executives of the BASF Group.

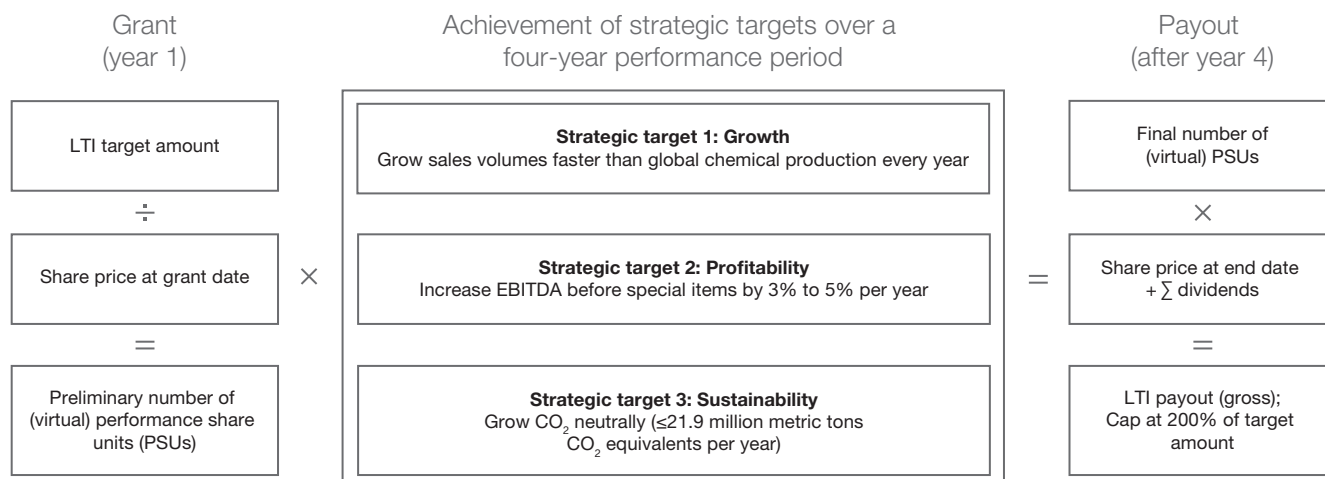
Long-term incentive (LTI)

- Four-year performance period
- The payout amount is determined by the achievement of three agreed strategic targets (growth, profitability, sustainability) and the performance of the BASF share plus the dividends paid (total shareholder return).
- The payout is limited to 200% of the target amount (cap).
- The payout occurs in May following the Annual Shareholders' Meeting after the end of the four-year performance period.

Grant: For each fiscal year, an LTI plan with a four-year performance period will be granted. The target amount will be converted into a preliminary number of virtual performance share units (PSUs). To undertake this conversion, the target amount is divided by the average price of the BASF share in the fourth quarter of the year prior to the beginning of the respective plan.

Targets and target achievement: At the beginning of the four-year performance period, the Supervisory Board defines three strategic targets. Depending on the achievement of these strategic targets over the four-year performance period, the number of PSUs can increase or decline. To determine this, the number of provisional PSUs at the end of the four years is multiplied by the weighted target achievement rate for the three strategic targets.

Payout: The final number of PSUs determined in this way is multiplied by the average share price of the BASF share in the fourth quarter of the last year of the four-year performance period plus the cumulative dividend payments in the four fiscal years of the performance period. The payout amount of the LTI therefore reflects not only the achievement of the strategic targets but also the development of BASF's total shareholder return. The actual LTI amount is paid out after the Annual Shareholders' Meeting in the year following the end of the four-year performance period. The payout is limited to 200% of the target amount (cap).



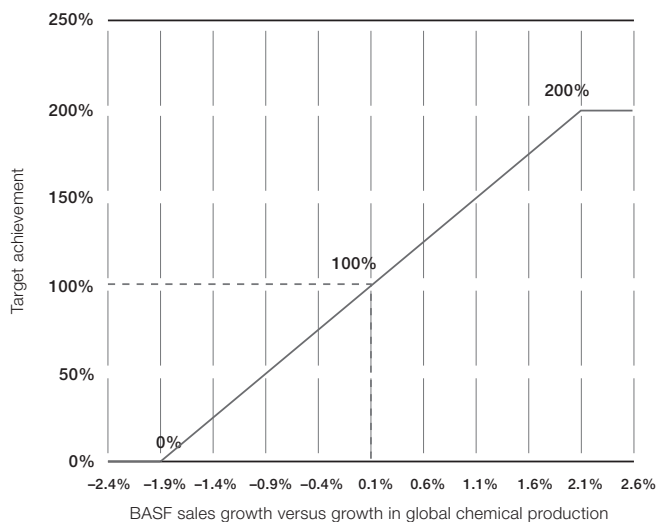
Determination of target achievement: For each of the three strategic targets, at the beginning of the four-year performance period the Supervisory Board defines a target value, which corresponds to a target achievement of 100%, as well as a minimal value, a maximum value and a target achievement curve.

For each strategic target, the target achievement rate is determined on an annual basis. At the end of the four-year performance period, the arithmetic mean of the four annual target achievement rates is calculated. The resulting average target achievement rates for the individual strategic targets are combined according to the defined weighting to reach a weighted target achievement. The preliminary

number of PSUs is multiplied by the weighted target achievement in order to determine the final number of PSUs.

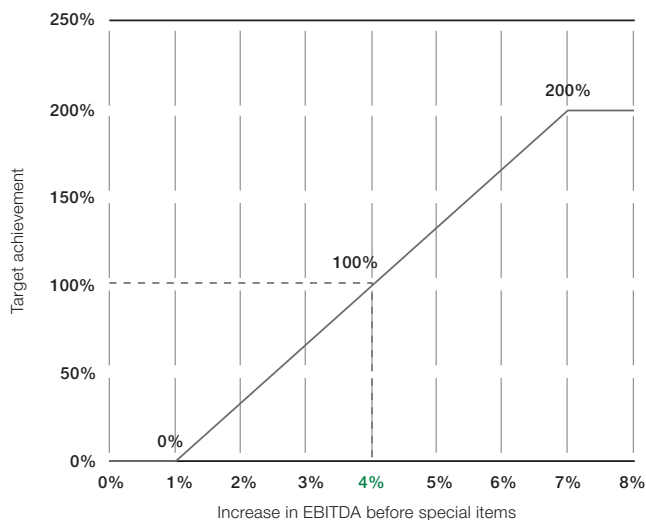
For the LTI plan 2020 (performance period 2020–2023) the following targets as communicated by the BASF corporate strategy apply:

Strategic target 1: Grow sales volumes faster than global chemical production every year



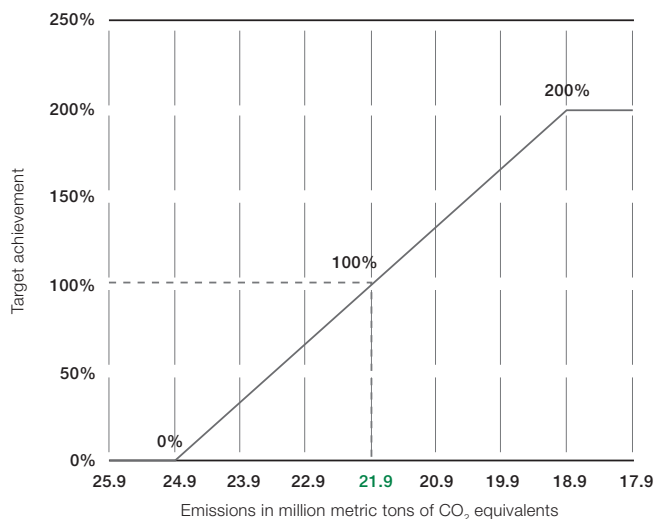
- The target is 100% achieved if BASF grows 0.1 percentage points faster than global chemical production (**target value**).
- If this target value is undercut by two percentage points or more, the target achievement is 0% (**minimum value**).
- If the target value is exceeded by two percentage points or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The target achievement for the entire performance period 2020–2023 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

Strategic target 2: Increase EBITDA before special items by 3% to 5% per year



- With an EBITDA before special items increase by 4% (i.e., in the middle of the communicated target corridor of 3% to 5%), the target achievement is 100% (**target value**).
- If EBITDA before special items increases by 7% or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The starting point for setting the four-year targets is the EBITDA before special items in the year before the start of the four-year performance period.
- The target achievement for the entire performance period 2020–2023 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

Strategic target 3: Grow CO₂-neutrally until 2030



- With emissions of 21.9 million metric tons of CO₂ equivalents per year, the target achievement is 100% (**target value**).
- With emissions of 24.9 million metric tons of CO₂ equivalents per year or more, the target achievement is 0 (**minimum value**).
- With emissions of 18.9 million metric tons of CO₂ equivalents per year or less, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The target achievement for the entire performance period 2020–2023 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

Share Ownership Guideline

For the duration of their mandate, members of the Board of Executive Directors are obligated to hold a defined number of shares in the company. The number of shares that must be held for a longer term is determined at the beginning of the Board of Executive Directors mandate (for current members of the Board of Executive Directors as of January 1, 2020) and generally corresponds to a value representing 150% of the member's annual gross fixed salary on that date. The conversion into a number of shares to be held is carried out using the average price of the BASF share in the fourth quarter of the year prior to the start of the first-time share ownership guideline.

The number of shares to be held rises accordingly with any increase in the amount of fixed salary. The share ownership obligation ends two years after the end of the mandate of the member of the Board of Executive Directors (post-mandate share ownership obligation). When members are first appointed to the Board of Executive Directors, they have until the end of the fourth calendar year following the initial appointment to fulfill this share ownership obligation (built-up phase). The built-up phase also applies for members of the Board of Executive Directors who were members as of January 1, 2020, regardless of when they were first appointed, with the stipulation that the share ownership obligation be fulfilled by December 31, 2023.

Members of the Board of Executive Directors must acquire the shares with after-tax net income. It was confirmed to the Supervisory Board that, taking into account the build-up phase, all members of the Board of Executive Directors held the required number of BASF shares or ADRs¹ as of December 31, 2020.

Withholding and clawback clause

The withholding and clawback provisions remain unchanged for the STI and LTI. In the event that a Board member commits a serious infringement of the Code of Conduct of BASF Group or of the duty of care as a member of the management of the company, this provision allows for a reduction or cancellation of not yet paid variable compensation as well as the clawback of variable compensation paid out since January 1, 2018. In the years 2019 and 2020, no use was made of the possibility to claw back, reduce or cancel the not yet paid variable compensation.

¹ BASF ADRs (American Depositary Receipts); four BASF ADRs correspond to one BASF share.

Maximum compensation

The total compensation is capped in accordance with the recommendation of the German Corporate Governance Code (GCGC). By establishing a maximum amount (cap) for the STI and the LTI,

the amount of both variable compensation components is limited. The maximum compensation levels based on the current target compensation for members of the Board of Executive Directors are presented in the following overview:

| € | Member of the Board of Executive Directors | | Vice chair of the Board of Executive Directors | | Chair of the Board of Executive Directors | |
|------------------------------------|--|------------------------------|--|------------------------------|---|-------------------------------|
| | Target compensation | Maximum compensation | Target compensation | Maximum compensation | Target compensation | Maximum compensation |
| Fixed salary | 800,000 | 800,000 | 1,064,000 | 1,064,000 | 1,600,000 | 1,600,000 |
| Regularly provided fringe benefits | 50,000 | 100,000 ¹ | 50,000 | 100,000 ¹ | 50,000 | 100,000 ¹ |
| Company pension benefits | 500,000 | 500,000 | 665,000 | 665,000 | 1,000,000 | 1,000,000 |
| STI amount | 1,000,000 | 2,000,000 ² | 1,330,000 | 2,660,000 ² | 2,000,000 | 4,000,000 ² |
| LTI amount | 1,400,000 | 2,800,000 ² | 1,862,000 | 3,724,000 ² | 2,800,000 | 5,600,000 ² |
| Total compensation 2020 | 3,750,000 | 6,200,000³ | 4,971,000 | 8,213,000³ | 7,450,000 | 12,300,000³ |

¹ This amount represents the maximum amount (200% of the target amount) in the fiscal year 2020 for regularly provided fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for a member of the Board of Executive Directors, €533,000 for the vice chair of the Board of Executive Directors and €600,000 for the chair of the Board of Executive Directors. For delegation-related fringe benefits, a maximum amount for a member of the Board of Executive Directors has been set at €3,000,000.

² Corresponds to 200% of the annual target amount

³ From options rights granted in 2020 as a component of the 2019 compensation for the Board of Executive Directors, an additional maximum amount of €1,453,500 for a member of the Board of Executive Directors, €1,933,155 for the vice chair of the Board of Executive Directors and €2,907,000 for the chair of the Board of Executive Directors may be allocated.

The compensation for the Board of Executive Directors was last increased effective January 1, 2017. In the event that the Supervisory Board resolves to adjust the compensation amount prior to

the next scheduled say on pay on the compensation system by the Annual Shareholders' Meeting in 2024, the following maximum compensation amounts would not be exceeded:

| € | Member of the Board of Executive Directors | Vice chair of the Board of Executive Directors | Chair of the Board of Executive Directors |
|---|--|--|---|
| Maximum compensation until next say on pay on the compensation system by the Annual Shareholders' Meeting | 7,500,000 ¹ | 9,975,000 ¹ | 15,000,000 ¹ |

¹ This amount contains the maximum amount (200% of the target amount) for regular fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for a member of the Board of Executive Directors, €533,000 for the vice chair of the Board of Executive Directors and €600,000 for the chair of the Board of Executive Directors. For delegation-related fringe benefits, a maximum amount for a member of the Board of Executive Directors has been set at €3,000,000.

BOP2020

Long-term, share price-based incentive program (LTI program)

LTI program BASF option program (BOP)

- The BASF option program was granted for the last time in 2020 and was replaced by the new LTI.
- Absolute performance threshold: BASF share price gains at least 30% compared with the base price for the LTI program concerned
- Relative performance threshold: BASF shares outperform the MSCI World Chemicals Index and no share price loss compared with the base price on the option grant date
- Share ownership guideline: mandatory individual investment in BASF shares with a holding obligation of 10% of the actual performance bonus (gross), plus up to an additional 20% of the actual performance bonus (gross)
- Term: eight years
- Exercise first possible: four years after the grant date (vesting period)
- Maximum exercise gain (cap): five times the individual investment

By resolution of the Supervisory Board, the BASF option program (BOP) was replaced by the new LTI as of January 1, 2020. The BOP is based on the STI paid out for the previous year and can therefore be considered delayed compensation for the preceding fiscal year. It was therefore offered for the last time in 2020, based on the performance bonus for 2019.

To take part in the program, each participant must prove an individual investment in BASF shares and hold the shares for this purpose for a defined period of time (holding period). The individual investment can amount to a maximum of 30% of the participant's performance bonus (gross) for the previous year.

The members of the Board of Executive Directors are obligated to invest at least 10% of their individual performance bonus (gross) for the previous year in the LTI program each year (share ownership obligation). This mandatory investment is subject to a holding period of four years. For any further additional voluntary investment of up to 20% of the performance bonus (gross) for the previous year, the general holding period of two years applies.

Four options are granted for each BASF share brought into the LTI program as an individual investment. After a four-year vesting period, there is a four-year exercise period during which the members of the Board of Executive Directors can exercise these options if performance thresholds are met. During the exercise period, the exercising of options is prohibited during certain periods (closed periods). Each member of the Board of Executive Directors can individually decide on the timing and extent of the exercising of options. Once the options are exercised, the computed value of the options is paid out in cash (cash settlement).

Each option consists of right A (absolute performance threshold) and right B (relative performance threshold), whose value is determined by different performance targets.

At least one of the two conditions must be met in order for the option to be exercised:

- Performance threshold, right A: BASF share price increases at least 30% compared with the base price on the option grant date for the LTI program concerned. The value of right A is calculated as the difference between the market price of BASF shares on the exercise date and the base price on the option grant date. It is limited to 100% of the base price (cap). The base price for an LTI program is the volume-weighted average share price in Deutsche Börse AG's electronic trading system (Xetra) on the first trading day after the Annual Shareholders' Meeting of BASF SE in the year in which the LTI program is granted. The base price for the LTI program granted in 2020 was €51.26 (2019: €68.21).
- Performance threshold, right B: The cumulative percentage performance of the BASF share exceeds that of the MSCI World Chemicals Index (outperformance) and the price of the BASF share on the exercise date equals at least the base price. The value of right B is calculated as the base price of the option multiplied by twice the outperformance of BASF shares on the exercise date. It is limited to the closing price on the date of exercise minus the computed nominal value of BASF shares.

In total, the maximum exercise gain (cap) is limited to five times the individual investment.

Provisions relating to the previous multi-year variable compensation components and to the previous pension plan

The still-running deferral components from the performance bonus 2018 (2018–2021) and 2019 (2019–2022) will be continued as planned and paid out in accordance with the terms of the previous program. To assess the strategic performance, the Supervisory Board will therefore determine a separate strategic performance factor (SPF) for each of the years 2020, 2021 and 2022. This SPF will serve exclusively to determine the average SPFs necessary for the deferral components of the performance bonus in accordance with the terms of the program.

The option rights granted under the previous BASF option program (BOP) and not yet exercised can continue to be exercised in accordance with the specified terms of the BOP for the Board of Executive Directors. Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The existing applicable minimum investment of 10% and the additional voluntary investment of up to 20% of the performance bonus (gross) for the previous year remain in effect unchanged. The option rights hereby granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019 and were granted in accordance with the previous program's terms as of July 1, 2020. Owing to the maximum program duration of eight years, exercise gains from the option program may be allocated to members of the Board of Executive Directors up until June 30, 2028, at the latest.

The pension entitlements acquired until December 31, 2019, under the previous pension benefits are maintained as vested rights and

upon retirement, disability or death can be accessed by the member of the Board of Executive Directors or by the surviving dependents as a company pension or retirement capital in accordance with the previous rules.

Targets and determination of target achievement for the variable compensation components 2020

Performance bonus (short-term incentive, STI) 2020

The STI is based on an annual target agreement between the Supervisory Board and the Board of Executive Directors as well as on the return on capital employed (ROCE). These targets are in line with the outlook for 2020 published in the forecast. The amount of the STI is calculated by multiplying the target amount by the performance factor derived from the target achievement and by the ROCE factor. If the ROCE is below the threshold of 4%, the compensation system stipulates that the Supervisory Board determines the ROCE factor by special resolution, either as zero or a value larger than zero. If the ROCE factor is zero, the STI would also be zero, regardless of the achievement of the agreed operational and strategic targets.

In the year 2020, BASF Group's ROCE was 1.7% and thus below the target of earning a premium on the cost of capital as well as below the threshold for the ROCE. The main reasons for this were the slowdown in business – particularly in the second quarter – and the negative impact on earnings resulting from impairments to fixed assets.

As required by the compensation system, the Supervisory Board determined an ROCE factor of 0.3 by special resolution. This corresponds to the value that would be achieved with an ROCE of 4% and equates to half the level of 2019. The following factors were relevant in this decision:

The economic conditions in 2020 developed in an unforeseeable and exceptional way due to the coronavirus pandemic. The Board of Executive Directors reacted quickly, energetically and effectively, ensured the protection of employees and steered BASF well through this difficult phase with a focus on costs and liquidity. At the same time, the Board of Executive Directors demonstratively took on social responsibility by, for example, producing and donating disinfectant for clinics and doctors' offices and by procuring masks. The Supervisory Board wants to expressly recognize these achievements. Moreover, efforts to advance BASF's strategic further development were unabated. Finally, the operational and strategic targets were largely achieved. Despite the decline in earnings, based on the target agreement, the performance factor amounts to 0.95:

- The EBIT target was clearly missed.
- The free cash flow target was not reached.
- The targets from the Excellence Program were exceeded.
- A further improvement in customer and employee satisfaction was achieved.
- Sales of products that make a substantial contribution to sustainability (Accelerators) increased.
- The target for investments in growth focus areas was met.
- Synergies from acquisitions and joint ventures were above the target level.

Based on the defined parameters, the performance bonus for a full-year member of the Board of Executive Directors is calculated as shown below. In light of the exceptional circumstances and the achievements of the Board of Executive Directors in 2020, the Supervisory Board considers this bonus to be appropriate and fair. The Supervisory Board did not make use of the possibility, in very exceptional cases (such as a severe economic crisis), to temporarily deviate from the components of the compensation system for the Board of Executive Directors.

| | | | | | | |
|--|---|----------------------|---|-----------------------------|---|------------------------|
| Target amount performance bonus, STI 2020: | × | ROCE factor 2020: | × | Performance factor 2020: | = | STI payout (gross): |
| €1,000,000 | | 0.3 | | 0.95 | | €285,000 |

LTI target achievement for the performance year 2020

The rates of target achievement for the first year of the four-year performance period 2020–2023 of the 2020 LTI program were as follows:

Strategic targets for the LTI 2020 (2020–2023)

| | | Target/ benchmark 2020 | 2020 | Target achievement in % |
|---|---|---------------------------|-------------------|-------------------------------|
| Grow sales volumes faster than global chemical production every year | (in %) | -0.4 | -0.5 | 90 ¹ |
| Increase EBITDA before special items by 3% to 5% per year | (in %) | 4.0 | -9.5 ² | 0 |
| CO ₂ -neutral growth, i.e., emissions no greater than 21.9 million metric tons CO ₂ equivalents | (in million metric tons of CO ₂ equivalents) | 21.9 | 20.8 | 137 |
| Weighted target achievement | (in %) | | | 76 |

¹ In 2020, BASF's sales volumes (-0.5%) declined at a faster rate than global chemical production (-0.4% as of February 15, 2021). The target would have been 100% achieved if BASF's sales volumes had declined by 0.1 percentage points less than global chemical production.

² Based on the original baseline value for EBITDA before special items for 2019

The degrees of target achievement determined for 2020 are fixed. At the end of the four-year performance period, they are added together to one arithmetic mean with the degrees of target achievement in the following years.

SPF₂₀₂₀ for the deferral components from the performance bonus programs 2018 and 2019

The still-running deferral components from the performance bonus 2018 (2018–2021) and 2019 (2019–2022) will be continued as planned in accordance with the terms of the previous program and

will be paid out. To assess the strategic performance, the Supervisory Board will therefore determine a separate strategic performance factor (SPF) for each of the years 2020, 2021 and 2022. For the performance bonus 2018 (2018–2021) as well as the performance bonus 2019 (2019–2022), the Supervisory Board determined an SPF₂₀₂₀ of 1.0.

Comparison of the previous and new compensation systems for the Board of Executive Directors

The new compensation system for the Board of Executive Directors reduces complexity by discontinuing one component of the compensation (performance bonus, part 2). The defined annual target amounts for the pension contribution and for the new LTI also

increase transparency. This new system did not result in an increase compared with the average total target compensation for 2017–2019.

| | Compensation system for the Board of Executive Directors until the end of 2019 | New compensation system for the Board of Executive Directors as of 2020 |
|-----------------------------------|--|---|
| Annual variable compensation | <p>Performance bonus</p> <ul style="list-style-type: none"> – The key performance indicator for the company's success is the return on capital employed (ROCE). – Relevant performance factors are the operational performance factor (OPF) for the current fiscal year and the strategic performance factors (SPF) for the current and the following three fiscal years. – 50% paid out at the end of the current fiscal year and 50% after the end of the four-year performance period | <p>Performance bonus, short-term incentive (STI)</p> <ul style="list-style-type: none"> – The key performance indicator for the company's success is the return on capital employed (ROCE). – A performance factor is assigned based on the assessment of the achievement of operational and strategic targets in the past fiscal year. – The actual STI amount is paid out following the Annual Shareholders' Meeting subsequent to the current fiscal year. |
| Long-term incentive program (LTI) | <ul style="list-style-type: none"> – Long-term, share price-based incentive program – Performance period of up to eight years – Mandatory individual investment of 10% of the performance bonus (gross); up to an additional 20% of the performance bonus (gross) can be invested on a voluntary basis | <ul style="list-style-type: none"> – Long-term compensation program in the form of a performance share plan – The new LTI plan incentivizes the achievement of strategic goals and takes into consideration the development of the BASF share and dividend (total shareholder return) over a period of four years. – New, longer-term mandatory share ownership guideline as a component of service contracts for members of the Board of Executive Directors stipulating a shareholding worth 150% of the member's fixed compensation |
| Company pension benefits | <ul style="list-style-type: none"> – The variable component of the pension unit is the result of multiplying the fixed pension component with a performance factor based on the relevant ROCE in the reporting year concerned, as well as the performance factors relevant to the performance bonus. – The pensionable age for Board members (Board Performance Pension) was raised from 60 to 63 years for new members appointed to the Board of Executive Directors after January 1, 2017. – Option to choose between payment of pension entitlements in the form of a lifelong pension or a lump sum | <ul style="list-style-type: none"> – The previous company pension benefits granted to members of the Board of Executive Directors (Board Performance Pension, deferred compensation program and basic coverage under BASF Pensionskasse) are discontinued as of January 1, 2020. – Effective January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model. – The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution. – A members of the Board of Executive Directors has the option to instead choose a pension allowance for private retirement savings, which is then paid out in equal monthly installments. |
| Withholding and clawback clause | <ul style="list-style-type: none"> – Withholding and clawback clause for the performance bonus and the LTI program | <ul style="list-style-type: none"> – No change, withholding and clawback clause applies for the performance bonus (STI) and the LTI program |

Amount of total compensation in reporting year 2020

The tables below, which are based on the sample tables in the German Corporate Governance Code in the version dated February 7, 2017 (GCGC 2017), show the granted and allocated compensation as well as service cost of each member of the Board of Executive Directors.

Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)

The table "Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)" shows: fixed salary, fringe benefits, performance bonus, LTI programs measured at fair value as of the grant date and/or the target value and pension benefits. The individual compensation components are supplemented by individually attainable minimum and maximum compensation.

Furthermore, a reconciliation statement for total compensation to be reported is provided below the table "Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)" due to the disclosures required by section 285 no. 9a of the German Commercial Code (HGB) in connection with the German Accounting Standard 17 (GAS 17).

Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)

Thousand €

| | Dr. Martin Brudermüller Chairman of the Board of Executive Directors | | | | Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors | | | |
|--|---|--------------|----------------|----------------|---|--------------|----------------|----------------|
| | 2019 | 2020 | 2020 (min.) | 2020 (max.) | 2019 | 2020 | 2020 (min.) | 2020 (max.) |
| Fixed salary | 1,600 | 1,600 | 1,600 | 1,600 | 1,064 | 1,064 | 1,064 | 1,064 |
| Fringe benefits | 60 | 56 | 56 | 700 | 69 | 62 | 62 | 633 |
| Regularly provided fringe benefits | 60 | 56 | 56 | 100 | 69 | 62 | 62 | 100 |
| Event-related fringe benefits | – | – | – | 600 | – | – | – | 533 |
| Delegation-related fringe benefits ¹ | – | – | – | – | – | – | – | – |
| Total | 1,660 | 1,656 | 1,656 | 2,300 | 1,133 | 1,126 | 1,126 | 1,697 |
| One-year variable compensation | 1,600 | 2,000 | 0 | 4,000 | 1,064 | 1,330 | 0 | 2,660 |
| 50% of the 2019 performance bonus (2019–2022) | 1,600 | – | – | – | 1,064 | – | – | – |
| Short-term incentive 2020 | – | 2,000 | 0 | 4,000 | – | 1,330 | 0 | 2,660 |
| Multiple-year variable compensation | 2,346 | 3,348 | 0 | 8,507 | 1,577 | 2,226 | 0 | 5,657 |
| 50% of the 2019 performance bonus (2019–2022), deferral component | 1,600 | – | – | – | 1,064 | – | – | – |
| LTI program 2019 (2019–2027) | 746 | – | – | – | 513 | – | – | – |
| LTI program 2020 (2020–2028) ² | – | 548 | 0 | 2,907 | – | 364 | 0 | 1,933 |
| LTI performance share plan 2020 (2020–2023) | – | 2,800 | 0 | 5,600 | – | 1,862 | 0 | 3,724 |
| Total | 5,606 | 7,004 | 1,656 | 14,807 | 3,774 | 4,682 | 1,126 | 10,014 |
| Company pension benefits | 436 | 1,000 | 1,000 | 1,000 | 272 | 665 | 665 | 665 |
| Service cost | 436 | – | – | – | 272 | – | – | – |
| Pension contribution / pension allowance | – | 1,000 | 1,000 | 1,000 | – | 665 | 665 | 665 |
| Total compensation in accordance with GCGC 2017 | 6,042 | 8,004 | 2,656 | 15,807 | 4,046 | 5,347 | 1,791 | 10,679 |
| Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17 | | | | | | | | |
| Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components) | –3,200 | – | – | – | –2,128 | – | – | – |
| Less granted short-term incentive 2020 | – | –2,000 | – | – | – | –1,330 | – | – |
| Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023) | – | –207 | – | – | – | –137 | – | – |
| Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020 | – | –80 | – | – | – | –53 | – | – |
| Plus allocated actual annual variable compensation (performance bonus, part 1) | 969 | – | – | – | 644 | – | – | – |
| Plus allocated actual annual variable compensation (short-term incentive 2020) | – | 570 | – | – | – | 379 | – | – |
| Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020) | – | – | – | – | – | – | – | – |
| Less service cost | –436 | – | – | – | –272 | – | – | – |
| Less pension contribution / pension allowance | – | –1,000 | – | – | – | –665 | – | – |
| Total compensation | 3,375 | 5,287 | – | – | 2,290 | 3,541 | – | – |

¹ Figures only reported under 2020 (min.) / 2020 (max.) if delegation-related fringe benefits were granted in the year 2020.

² Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The option rights granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019.

³ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁴ Wayne T. Smith opted for the pension allowance for private retirement savings.

Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)

Thousand €

| | Saori Dubourg | | | | Michael Heinz | | | |
|--|---------------|--------------|----------------|----------------|---------------|--------------|----------------|----------------|
| | 2019 | 2020 | 2020 (min.) | 2020 (max.) | 2019 | 2020 | 2020 (min.) | 2020 (max.) |
| Fixed salary | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| Fringe benefits | 356 | 494 | 494 | 600 | 36 | 40 | 40 | 600 |
| Regularly provided fringe benefits | 59 | 62 | 62 | 100 | 36 | 40 | 40 | 100 |
| Event-related fringe benefits | 297 | 432 | 432 | 500 | – | – | – | 500 |
| Delegation-related fringe benefits ¹ | – | – | – | – | – | – | – | – |
| Total | 1,156 | 1,294 | 1,294 | 1,400 | 836 | 840 | 840 | 1,400 |
| One-year variable compensation | 800 | 1,000 | 0 | 2,000 | 800 | 1,000 | 0 | 2,000 |
| 50% of the 2019 performance bonus (2019–2022) | 800 | – | – | – | 800 | – | – | – |
| Short-term incentive 2020 | – | 1,000 | 0 | 2,000 | – | 1,000 | 0 | 2,000 |
| Multiple-year variable compensation | 1,001 | 1,674 | 0 | 4,254 | 1,221 | 1,674 | 0 | 4,254 |
| 50% of the 2019 performance bonus (2019–2022), deferral component | 800 | – | – | – | 800 | – | – | – |
| LTI program 2019 (2019–2027) | 201 | – | – | – | 421 | – | – | – |
| LTI program 2020 (2020–2028) ² | – | 274 | 0 | 1,454 | – | 274 | 0 | 1,454 |
| LTI performance share plan 2020 (2020–2023) | – | 1,400 | 0 | 2,800 | – | 1,400 | 0 | 2,800 |
| Total | 2,957 | 3,968 | 1,294 | 7,654 | 2,857 | 3,514 | 840 | 7,654 |
| Company pension benefits | 450 | 500 | 500 | 500 | 279 | 500 | 500 | 500 |
| Service cost | 450 | – | – | – | 279 | – | – | – |
| Pension contribution / pension allowance | – | 500 | 500 | 500 | – | 500 | 500 | 500 |
| Total compensation in accordance with GCGC 2017 | 3,407 | 4,468 | 1,794 | 8,154 | 3,136 | 4,014 | 1,340 | 8,154 |
| Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17 | | | | | | | | |
| Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components) | –1,600 | – | – | – | –1,600 | – | – | – |
| Less granted short-term incentive 2020 | – | –1,000 | – | – | – | –1,000 | – | – |
| Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023) | – | –103 | – | – | – | –103 | – | – |
| Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020 | – | –40 | – | – | – | –40 | – | – |
| Plus allocated actual annual variable compensation (performance bonus, part 1) | 485 | – | – | – | 485 | – | – | – |
| Plus allocated actual annual variable compensation (short-term incentive 2020) | – | 285 | – | – | – | 285 | – | – |
| Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020) | – | – | – | – | – | – | – | – |
| Less service cost | –450 | – | – | – | –279 | – | – | – |
| Less pension contribution / pension allowance | – | –500 | – | – | – | –500 | – | – |
| Total compensation | 1,842 | 3,110 | – | – | 1,742 | 2,656 | – | – |

¹ Figures only reported under 2020 (min.) / 2020 (max.) if delegation-related fringe benefits were granted in the year 2020.

² Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The option rights granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019.

³ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁴ Wayne T. Smith opted for the pension allowance for private retirement savings.

Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)

Thousand €

| | Dr. Markus Kamieth | | | | Wayne T. Smith | | | |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2019 | 2020 | 2020 (min.) | 2020 (max.) | 2019 | 2020 | 2020 (min.) | 2020 (max.) |
| Fixed salary | 800 | 800 ³ | 800 ³ | 800 ³ | 800 ³ | 800 ³ | 800 ³ | 800 ³ |
| Fringe benefits | 46 | 593 | 593 | 3,600 | 340 | 323 | 323 | 3,600 |
| Regularly provided fringe benefits | 46 | 36 | 36 | 100 | 28 | 19 | 19 | 100 |
| Event-related fringe benefits | – | – | – | 500 | – | – | – | 500 |
| Delegation-related fringe benefits ¹ | – | 557 | 557 | 3,000 | 312 | 304 | 304 | 3,000 |
| Total | 846 | 1,393 | 1,393 | 4,400 | 1,140 | 1,123 | 1,123 | 4,400 |
| One-year variable compensation | 800 | 1,000 | 0 | 2,000 | 800 | 1,000 | 0 | 2,000 |
| 50% of the 2019 performance bonus (2019–2022) | 800 | – | – | – | 800 | – | – | – |
| Short-term incentive 2020 | – | 1,000 | 0 | 2,000 | – | 1,000 | 0 | 2,000 |
| Multiple-year variable compensation | 1,221 | 1,674 | 0 | 4,254 | 1,312 | 1,736 | 0 | 4,254 |
| 50% of the 2019 performance bonus (2019–2022), deferral component | 800 | – | – | – | 800 | – | – | – |
| LTI program 2019 (2019–2027) | 421 | – | – | – | 512 | – | – | – |
| LTI program 2020 (2020–2028) ² | – | 274 | 0 | 1,454 | – | 336 | 0 | 1,454 |
| LTI performance share plan 2020 (2020–2023) | – | 1,400 | 0 | 2,800 | – | 1,400 | 0 | 2,800 |
| Total | 2,867 | 4,067 | 1,393 | 10,654 | 3,252 | 3,859 | 1,123 | 10,654 |
| Company pension benefits | 449 | 500 | 500 | 500 | 393 | 500 | 500 | 500 |
| Service cost | 449 | – | – | – | 393 | – | – | – |
| Pension contribution / pension allowance | – | 500 | 500 | 500 | – | 500 ⁴ | 500 ⁴ | 500 ⁴ |
| Total compensation in accordance with GCGC 2017 | 3,316 | 4,567 | 1,893 | 11,154 | 3,645 | 4,359 | 1,623 | 11,154 |
| Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17 | | | | | | | | |
| Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components) | –1,600 | – | – | – | –1,600 | – | – | – |
| Less granted short-term incentive 2020 | – | –1,000 | – | – | – | –1,000 | – | – |
| Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023) | – | –103 | – | – | – | –103 | – | – |
| Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020 | – | –40 | – | – | – | –40 | – | – |
| Plus allocated actual annual variable compensation (performance bonus, part 1) | 485 | – | – | – | 485 | – | – | – |
| Plus allocated actual annual variable compensation (short-term incentive 2020) | – | 285 | – | – | – | 285 | – | – |
| Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020) | – | – | – | – | – | 431 | – | – |
| Less service cost | –449 | – | – | – | –393 | – | – | – |
| Less pension contribution / pension allowance | – | –500 | – | – | – | –500 | – | – |
| Total compensation | 1,752 | 3,209 | – | – | 2,137 | 3,432 | – | – |

¹ Figures only reported under 2020 (min.) / 2020 (max.) if delegation-related fringe benefits were granted in the year 2020.

² Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The option rights granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019.

³ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁴ Wayne T. Smith opted for the pension allowance for private retirement savings.

Compensation allocated in accordance with the German Corporate Governance Code (GCGC 2017)

The table "Allocation in accordance with GCGC 2017" presented comprises the fixed and variable compensation components actually allocated, plus the pension benefits granted to each member of the Board of Executive Directors in the reporting years (2020: pension contribution; 2019: service cost for previous pension plan) even though these do not actually represent payment in the narrower sense.

Allocation in accordance with GCGC 2017

Thousand €

| | Dr. Martin Brudermüller Chairman of the Board of Executive Directors | | Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors | | Saori Dubourg | |
|---|--|--------------|---|--------------|---------------|--------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Fixed salary ¹ | 1,600 | 1,520 | 1,064 | 1,011 | 800 | 760 |
| Fringe benefits | 60 | 56 | 69 | 62 | 356 | 494 |
| Regularly provided fringe benefits | 60 | 56 | 69 | 62 | 59 | 62 |
| Event-related fringe benefits | – | – | – | – | 297 | 432 |
| Delegation-related fringe benefits | – | – | – | – | – | – |
| Total | 1,660 | 1,576 | 1,133 | 1,073 | 1,156 | 1,254 |
| One-year variable compensation | 969 | 570 | 644 | 379 | 485 | 285 |
| Performance bonus 2019 (2019–2022), part 1 ² | 969 | – | 644 | – | 485 | – |
| Short-term incentive 2020 ³ | – | 570 | – | 379 | – | 285 |
| Multiple-year variable compensation | – | – | – | – | – | – |
| LTI 2011 (2011–2019) | – | – | – | – | – | – |
| LTI 2012 (2012–2020) | – | – | – | – | – | – |
| LTI 2013 (2013–2021) | – | – | – | – | – | – |
| LTI 2014 (2014–2022) | – | – | – | – | – | – |
| LTI 2015 (2015–2023) | – | – | – | – | – | – |
| LTI 2016 (2016–2024) | – | – | – | – | – | – |
| Total | 2,629 | 2,146 | 1,777 | 1,452 | 1,641 | 1,539 |
| Company pension benefits | 436 | 1,000 | 272 | 665 | 450 | 500 |
| Service cost | 436 | – | 272 | – | 450 | – |
| Pension contribution / pension allowance | – | 1,000 | – | 665 | – | 500 |
| Total compensation in accordance with GCGC 2017 | 3,065 | 3,146 | 2,049 | 2,117 | 2,091 | 2,039 |

¹ The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed annual salary for the period from April 1 until June 30, 2020.

² The basis for the performance bonus, part 1, is the ROCE factor and the average of the operating performance factor (OPF) and the strategic performance factor (SPF) in the year the performance bonus was granted. This includes contributions made to the deferred compensation program. 50% of the actual performance bonus is paid out; the remaining 50% of the actual performance bonus is not paid out for another three years (deferral component).

³ The basis for the short-term incentive (STI) is the ROCE factor and the performance factor in year the STI is granted. 100% of the actual STI is paid out.

⁴ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁵ In 2020, at the end of the regular term of the LTI program 2012, exercise gains that were realized in 2017 were allocated to Wayne T. Smith in accordance with the special conditions of the U.S. LTI program.

⁶ Wayne T. Smith opted for the pension allowance for private retirement savings.

Allocation in accordance with GCGC 2017

Thousand €

| | Michael Heinz | | Dr. Markus Kamieth | | Wayne T. Smith | |
|---|---------------|--------------|--------------------|------------------|------------------|------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Fixed salary ¹ | 800 | 760 | 800 | 760 ⁴ | 800 ⁴ | 760 ⁴ |
| Fringe benefits | 36 | 40 | 46 | 593 | 340 | 323 |
| Regularly provided fringe benefits | 36 | 40 | 46 | 36 | 28 | 19 |
| Event-related fringe benefits | – | – | – | – | – | – |
| Delegation-related fringe benefits | – | – | – | 557 | 312 | 304 |
| Total | 836 | 800 | 846 | 1,353 | 1,140 | 1,083 |
| One-year variable compensation | 485 | 285 | 485 | 285 | 485 | 285 |
| Performance bonus 2019 (2019–2022), part 1 ² | 485 | – | 485 | – | 485 | – |
| Short-term incentive 2020 ³ | – | 285 | – | 285 | – | 285 |
| Multiple-year variable compensation | – | – | – | – | – | 431 |
| LTI 2011 (2011–2019) | – | – | – | – | – | – |
| LTI 2012 (2012–2020) | – | – | – | – | – | 431 ⁵ |
| LTI 2013 (2013–2021) | – | – | – | – | – | – |
| LTI 2014 (2014–2022) | – | – | – | – | – | – |
| LTI 2015 (2015–2023) | – | – | – | – | – | – |
| LTI 2016 (2016–2024) | – | – | – | – | – | – |
| Total | 1,321 | 1,085 | 1,331 | 1,638 | 1,625 | 1,799 |
| Company pension benefits | 279 | 500 | 449 | 500 | 393 | 500 |
| Service cost | 279 | – | 449 | – | 393 | – |
| Pension contribution / pension allowance | – | 500 | – | 500 | – | 500 ⁶ |
| Total compensation in accordance with GCGC 2017 | 1,600 | 1,585 | 1,780 | 2,138 | 2,018 | 2,299 |

¹ The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed annual salary for the period from April 1 until June 30, 2020.

² The basis for the performance bonus, part 1, is the ROCE factor and the average of the operating performance factor (OPF) and the strategic performance factor (SPF) in the year the performance bonus was granted. This includes contributions made to the deferred compensation program. 50% of the actual performance bonus is paid out; the remaining 50% of the actual performance bonus is not paid out for another three years (deferral component).

³ The basis for the short-term incentive (STI) is the ROCE factor and the performance factor in year the STI is granted. 100% of the actual STI is paid out.

⁴ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁵ In 2020, at the end of the regular term of the LTI program 2012, exercise gains that were realized in 2017 were allocated to Wayne T. Smith in accordance with the special conditions of the U.S. LTI program.

⁶ Wayne T. Smith opted for the pension allowance for private retirement savings.

The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed salary for the period from April 1, 2020, until June 30, 2020.

The table below shows the options granted to the Board of Executive Directors on July 1 of both reporting years. Option rights under the BASF option program were granted for the last time in 2020.

Number of option rights granted

| | 2020 | 2019 |
|-------------------------|----------------|----------------------------|
| Dr. Martin Brudermüller | 45,368 | 44,024 |
| Saori Dubourg | 22,684 | 11,880 |
| Dr. Hans-Ulrich Engel | 30,168 | 30,268 |
| Michael Heinz | 22,684 | 24,880 |
| Dr. Markus Kamieth | 22,684 | 24,880 |
| Wayne T. Smith | 22,684 | 24,880 |
| Total | 166,272 | 160,812¹ |

¹ In the 2019 fiscal year, 24,880 option rights were granted to Sanjeev Gandhi, who left the Board of Executive Directors as of December 31, 2019.

In 2020, members of the Board of Executive Directors were for the first time granted Performance Share Units (PSUs) under the new LTI program. The following table shows the number of PSUs granted as of January 1.

Number of performance share units (PSUs) granted

| | 2020 | 2019 |
|-------------------------|----------------|----------|
| Dr. Martin Brudermüller | 41,268 | – |
| Saori Dubourg | 20,634 | – |
| Dr. Hans-Ulrich Engel | 27,443 | – |
| Michael Heinz | 20,634 | – |
| Dr. Markus Kamieth | 20,634 | – |
| Wayne T. Smith | 20,634 | – |
| Total | 151,247 | – |

Accounting valuation of multiple-year variable compensation (LTI programs)

In 2020, the option rights granted resulted in an expense. This expense refers to the total of all option rights from the LTI programs 2012 to 2020 and is calculated as the difference in the fair value of the option rights on December 31, 2020, compared with the fair value on December 31, 2019, considering the option rights exercised and granted in 2020. The fair value of the option rights is based primarily on the development of the BASF share price and its relative performance compared with the benchmark index, the MSCI World Chemicals Index.

The expenses reported below are purely accounting figures that do not equate with the actual gains should options be exercised. Each member of the Board of Executive Directors may decide individually on the timing and scope of the exercise of options of the LTI programs, while taking into account the terms and conditions of the program.

The outstanding option rights held by the members of the Board of Executive Directors resulted in the following expenses in 2020: Dr. Martin Brudermüller: expense of €266 thousand (2019: expense of €464 thousand); Dr. Hans-Ulrich Engel: expense of €152 thousand (2019: expense of €339 thousand); Saori Dubourg: expense of €136 thousand (2019: expense of €66 thousand); Michael Heinz: expense of €172 thousand (2019: expense of €334 thousand); Dr. Markus Kamieth: expense of €203 thousand (2019: expense of €124 thousand); and Wayne T. Smith: expense of €914 thousand (2019: expense of €298 thousand).

In 2020, the performance share units granted as part of the new LTI resulted in an expense. This expense refers to the total of all performance share units from the LTI program 2020 and is calculated as the difference in the fair value of the performance share units on December 31, 2020, compared with the fair value on December 31, 2019. The fair value of the performance share units is based primarily on the expected development of the BASF share price and the dividend as well as assumptions relating to the expected weighted level of target achievement for the three strategic targets in the four-year performance period.

The expenses reported below are purely accounting figures that do not equate with the actual inflows from the LTI at the end of the four-year performance.

The performance share units granted to the members of the Board of Executive Directors resulted in the following expenses in 2020 (2019: not applicable): Dr. Martin Brudermüller: expense of €617 thousand; Dr. Hans-Ulrich Engel: expense of €410 thousand; Saori Dubourg: expense of €309 thousand; Michael Heinz: expense of €309 thousand; Dr. Markus Kamieth: expense of €309 thousand; Wayne T. Smith: expense of €874 thousand.

Company pension benefits

The values in accordance with German commercial law for the company pension benefits granted to the members of the Board of Executive Directors in 2020 are shown individually in the tables "Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)" and "Allocation in accordance with GCGC 2017." Effective January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model. The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution. The pension entitlements acquired until December 31, 2019, under the previous company pension system are maintained as vested rights and upon retirement, disability or death can be accessed by the member of the Board of Executive Directors or by the surviving dependents as a company pension or retirement capital in accordance with the previous rules.

The present value of pension benefits (defined benefit obligation) is an accounting figure for the entitlements that the Board members have accumulated in their years of service at BASF. The table below shows the defined benefit obligations for the pension entitlements accrued until the end of 2020 (as of December 31 in each case), calculated in accordance with the provisions of German commercial law.

Present value of the defined benefit obligation

Thousand €

| | 2020 | 2019 |
|-------------------------|---------------|---------------------------|
| Dr. Martin Brudermüller | 14,707 | 13,347 |
| Saori Dubourg | 4,273 | 4,095 |
| Dr. Hans-Ulrich Engel | 12,079 | 10,182 |
| Michael Heinz | 11,581 | 10,567 |
| Dr. Markus Kamieth | 4,386 | 3,373 |
| Wayne T. Smith | 4,995 | 4,867 |
| Total | 52,021 | 46,431¹ |

¹ In the 2019 fiscal year, the present value of the defined benefit obligation for the pension entitlements accrued until the end of 2019 by Sanjeev Gandhi, who left the Board of Executive Directors as of December 31, 2019, amounted to €3,348 thousand.

End-of-service benefits

In the event that a member of the Board of Executive Directors appointed before 2017 retires from employment before the age of 60, either because their appointment was not extended or was revoked for an important reason, they are entitled to pension benefits under the system in effect until 2019 if they have served on the Board for at least 10 years or if the period until they reach legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other employment against pension benefits until the legal retirement age is reached.

This rule no longer applies for any member who was appointed to the Board of Executive Directors after January 1, 2017.

There is a general limit on severance pay (severance payment cap) for all Board members. Accordingly, payments made to a Board member upon premature termination of their contract, without serious cause, may not exceed the value of two years' compensation, including fringe benefits, nor compensate more than the remaining term of the contract. The severance payment cap is to be calculated on the basis of the total compensation for the past fiscal year and, if appropriate, also the expected total compensation for the current fiscal year.

The following applies to end of service due to a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding.

If a Board member's appointment is revoked within one year following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of mandate as a one-off payment; however, this amount also may not exceed the value of two years' compensation. The outstanding pension contributions until the end of the regular contractual term of office shall be paid as a one-time gross payment.

Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to €12.5 million in 2020 (2019: €11.5 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program, as well as the income for 2020 relating to option rights that previous members of the Board still hold from the time of their active service period. Moreover, this figure contains non-compete compensation paid to a former member of the Board of Executive Directors. The increase in total compensation resulted from two opposing effects: On the one hand, the fair value measurement of option rights resulted in income of €0.7 million overall in 2020, mainly due to the higher accounting valuation of the option rights due to the increased share price (2019: expense of €0.6 million). On the other hand, the inclusion of the non-compete compensation led to an expense of €2.0 million in 2020.

Option rights that have not yet been exercised on retirement are to be continued under the conditions of the program including the associated holding period to emphasize that the compensation for the Board of Executive Directors is geared to sustainability.

Total compensation of former members of the Board of Executive Directors and their surviving dependents

| Million € | 2020 | 2019 |
|---|-------------|-------------|
| Retirement and surviving dependents' pensions | 11.2 | 10.9 |
| Income/expense from the fair value measurement of option rights | -0.7 | 0.6 |
| Non-compete compensation ¹ | 2.0 | - |
| Total | 12.5 | 11.5 |

¹ Sanjeev Gandhi stepped down from the Board of Executive Directors effective the end of December 31, 2019. Based on the termination agreement, non-compete compensation was agreed for a two-year, post-contractual non-compete obligation.

Pension provisions for previous Board members and their surviving dependents amounted to €168.4 million (2019: €156.9 million).

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary: €200,000¹
- Share purchase and share holding component: 25% of the fixed compensation must be used to purchase shares in BASF; these shares must be held for the duration of membership on the Supervisory Board.
- Compensation for committee memberships: €12,500²; Audit Committee: €50,000²
- No additional compensation is paid for the Nomination Committee.
- Voluntary relinquishment of 20% of fixed compensation as of the second quarter of 2020.

¹ The amount for the chair of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chair compared with the compensation of a member of the Supervisory Board.

² The amount for the chair of a committee is two times this value, and 1.5 times this value for the vice chair.

The disclosure of compensation of the Supervisory Board is based on the German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017.

The compensation of the Supervisory Board is regulated by the Statutes of BASF SE passed by the Annual Shareholders' Meeting.

Since 2017, the compensation of the Supervisory Board has been purely fixed compensation, supplemented by share acquisition and shareholding components. The obligation to purchase and hold shares is a variable compensation component with a long-term orientation which emphasizes the Supervisory Board's strategic support role.

Amount of Supervisory Board compensation

Each member of the Supervisory Board shall receive annually a fixed compensation of €200,000. In recognition of the increased demands on the chair, the compensation of the Supervisory Board of BASF follows the GCGC recommendation of function-related differentiation of the compensation of the chair, vice chair and members. The amount for the chair of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chair compared with the compensation of a member of the Supervisory Board. The members of the Supervisory Board each voluntarily relinquished 20% of their fixed compensation for the period from April 1, 2020, until December 31, 2020.

Amount of compensation for serving on a committee

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive an additional annual fixed compensation of €12,500. This also follows the GCGC recommendation that the increased workload of Supervisory Board members serving on committees should be appropriately taken into account. For members of the Audit Committee, the further compensation shall be €50,000. The chair of a committee shall receive twice and a vice chair 1.5 times the further fixed compensation.

Compensation of the Supervisory Board of BASF SE

Thousand €

| | Fixed salary | | Compensation for committee memberships | | Total compensation | |
|---|----------------|----------------|--|--------------|--------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Dr. Jürgen Hambrecht, chair until June 18, 2020 ^{1,2} | 225.0 | 500.0 | 25.0 | 50.0 | 250.0 | 550.0 |
| Dr. Kurt Bock, chair since June 18, 2020 ^{3,4} | 233.3 | – | 29.2 | – | 262.5 | – |
| Michael Diekmann, vice chair until May 3, 2019 ⁵ | – | 125.0 | – | 13.0 | – | 138.0 |
| Franz Fehrenbach, vice chair since May 3, 2019 ^{6,7} | 255.0 | 266.7 | 33.3 | 66.6 | 288.3 | 333.3 |
| Sinischa Horvat, vice chair ⁸ | 255.0 | 300.0 | 25.0 | 25.0 | 280.0 | 325.0 |
| Prof. Dr. Thomas Carell, Supervisory Board member since May 3, 2019 | 170.0 | 133.3 | – | – | 170.0 | 133.3 |
| Dame Alison Carnwath DBE ⁹ | 170.0 | 200.0 | 112.5 | 112.5 | 282.5 | 312.5 |
| Prof. Dr. François Diederich, Supervisory Board member until May 3, 2019 | – | 83.3 | – | – | – | 83.3 |
| Tatjana Diether ¹⁰ | 170.0 | 200.0 | 50.0 | 50.0 | 220.0 | 250.0 |
| Waldemar Helber ¹¹ | 170.0 | 200.0 | 12.5 | 12.5 | 182.5 | 212.5 |
| Dr. Alexander C. Karp, Supervisory Board member from May 3, 2019, until July 22, 2020 | 103.3 | 133.3 | – | – | 103.3 | 133.3 |
| Anke Schäferkordt ¹² | 170.0 | 200.0 | 41.7 | – | 211.7 | 200.0 |
| Denise Schellemans | 170.0 | 200.0 | – | – | 170.0 | 200.0 |
| Liming Chen, Supervisory Board member since October 8, 2020 | 40.0 | – | – | – | 40.0 | – |
| Roland Strasser | 170.0 | 200.0 | – | – | 170.0 | 200.0 |
| Michael Vassiliadis ^{9,10} | 170.0 | 200.0 | 75.0 | 75.0 | 245.0 | 275.0 |
| Total | 2,471.6 | 2,941.6 | 404.2 | 404.6 | 2,875.8 | 3,346.2 |

¹ Chair of the Personnel Committee until June 18, 2020

² Chair of the Strategy Committee until June 18, 2020

³ Chair of the Personnel Committee since June 18, 2020

⁴ Chair of the Strategy Committee since June 18, 2020

⁵ Member of the Personnel Committee and vice chair of the Strategy Committee until May 3, 2019

⁶ Member of the Personnel and Strategy Committees since May 3, 2019

⁷ Member of the Audit Committee until February 29, 2020

⁸ Member of the Personnel and Strategy Committees

⁹ Chair of the Audit Committee and member of the Strategy Committee

¹⁰ Member of the Audit Committee

¹¹ Member of the Strategy Committee

¹² Member of the Audit Committee since March 1, 2020

Share purchase and shareholding obligation for members of the Supervisory Board

Each member of the Supervisory Board is required to use 25% of their fixed compensation to acquire shares in BASF SE, and to hold these shares for the duration of membership on the Supervisory Board. This does not apply to the amount of compensation that the member of the Supervisory Board transfers to a third party on a pro rata basis as a result of an obligation entered into before their appointment to the Supervisory Board. In this case, the utilization and holding obligation applies to 25% of the remaining compensation after deducting the amount transferred.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The directors' and officers' liability insurance (D&O insurance) concluded by the company covers the duties performed by the members of the Supervisory Board. This policy provides for the level of deductibles for the Supervisory Board as recommended in

section 3.8(3) of the German Corporate Governance Code (GCGC). Total compensation of the Supervisory Board in 2020 was around €2.9 million (2019: around €3.3 million). The compensation of the individual Supervisory Board members is listed in the table above.

Compensation for membership on the Supervisory Board and its committees, provided it is not withheld for the purpose of acquiring shares, is due after the conclusion of the fiscal year for which the compensation is paid. Beyond the compensation in accordance with the Statutes presented in the table "Compensation of the Supervisory Board of BASF SE," no Supervisory Board members received any compensation in 2020 for services rendered personally, in particular, the rendering of advisory and agency services.

Management and Supervisory Boards

Board of Executive Directors

There were six members on the Board of Executive Directors of BASF SE as of December 31, 2020.

As part of its long-term succession planning and in line with its diversity concept, the Supervisory Board appointed Dr. Melanie Maas-Brunner as a member of the Board of Executive Directors on December 17, 2020. As of February 1, 2021, the Board of Executive Directors therefore temporarily comprises seven members and, following a transition period, will again be reduced to six members with the departure of Wayne T. Smith as of May 31, 2021. Some of the responsibilities within the Board of Executive Directors will be reallocated effective June 1, 2021, as a result of this change.

The composition of the Board of Executive Directors and the responsibilities of individual members are as follows:

Dr. Martin Bruder Müller

Chairman of the Board of Executive Directors

Degree: Chemistry, 59 years old, 33 years at BASF

Responsibilities: Corporate Legal, Compliance, Tax & Insurance; Corporate Development; Corporate Communications & Government Relations; Corporate Human Resources; Corporate Investor Relations

First appointed: 2006, **term expires:** 2023

Dr. Hans-Ulrich Engel

Vice Chairman of the Board of Executive Directors

Degree: Law, 61 years old, 33 years at BASF

Responsibilities: Corporate Finance; Corporate Audit; Global Business Services; Global Digital Services; Global Procurement

First appointed: 2008, **term expires:** 2023

Internal memberships within the meaning of section 100(2) of the German Stock Corporation Act:

Wintershall Dea GmbH (Chairman of the Supervisory Board until July 31, 2020, Deputy Chairman of the Supervisory Board since August 1, 2020)

Wintershall AG (Chairman of the Supervisory Board)

Comparable German and non-German supervisory bodies:

Nord Stream AG (member of the Shareholders' Committee)

Saori Dubourg

Degree: Business, 49 years old, 24 years at BASF

Responsibilities: Agricultural Solutions; Care Chemicals; Nutrition & Health; Bioscience Research (until January 31, 2021); Europe

First appointed: 2017, **term expires:** 2025

Internal memberships within the meaning of section 100(2) of the German Stock Corporation Act:

Wintershall Dea GmbH (member of the Supervisory Board)

Michael Heinz

Degree: MBA, 56 years old, 37 years at BASF

Responsibilities until May 31, 2021: Corporate Environmental Protection, Health & Safety; European Site & Verbund Management; Global Engineering Services; South America

Responsibilities from June 1, 2021: Monomers; Performance Materials; Petrochemicals; Intermediates; North America; South America

First appointed: 2011, **term expires:** 2024

Internal memberships within the meaning of section 100(2) of the German Stock Corporation Act:

Wintershall Dea GmbH (member of the Supervisory Board)

Comparable German and non-German supervisory bodies:

BASF Antwerpen N.V. (Chairman of the Administrative Council)

Dr. Markus Kamieth

Degree: Chemistry, 50 years old, 22 years at BASF

Responsibilities: Catalysts; Coatings; Dispersions & Pigments; Performance Chemicals; Advanced Materials & Systems Research (until January 31, 2021); BASF New Business (until January 31, 2021); Greater China; South & East Asia, ASEAN & Australia/New Zealand; Mega Projects Asia

First appointed: 2017, **term expires:** 2025

Comparable German and non-German supervisory bodies:

Solenis UK International Ltd. (member of the Board of Directors)

Dr. Melanie Maas-Brunner (since February 1, 2021)

Degree: Chemistry, 52 years old, 24 years at BASF

Responsibilities until May 31, 2021: Advanced Materials & Systems Research; Bioscience Research; Process Research & Chemical Engineering; BASF New Business

Responsibilities from June 1, 2021: Corporate Environmental Protection, Health & Safety; European Site & Verbund Management; Global Engineering Services; Advanced Materials & Systems Research; Bioscience Research; Process Research & Chemical Engineering; BASF New Business

First appointed: 2021, **term expires:** 2024

Wayne T. Smith

Degrees: Chemical Engineering, MBA, 60 years old, 17 years at BASF

Responsibilities until May 31, 2021: Monomers; Performance Materials; Petrochemicals; Intermediates; Process Research & Chemical Engineering (until January 31, 2021); Market & Business Development, Site & Verbund Management North America; Country Platforms North America

First appointed: 2012, **term expires:** 2021

Comparable German and non-German supervisory bodies:

Inter Pipeline Ltd. (member of the Board of Directors since May 7, 2020)

Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises 12 members

The term of office of the Supervisory Board commenced following the Annual Shareholders' Meeting on May 3, 2019, in which the shareholder representatives on the Supervisory Board were elected. In accordance with the applicable article of the Statutes as of the date of election, it terminates upon conclusion of the Annual Shareholders' Meeting that resolves on the discharge of members of the Supervisory Board for the fourth complete business year after the term of office commenced; this is the Annual Shareholders' Meeting on April 25, 2024. The Chairman of the Supervisory Board, Dr. Jürgen Hambrecht, resigned his Supervisory Board mandate as of the conclusion of the Annual Shareholders' Meeting on June 18, 2020. The Annual Shareholders' Meeting on June 18, 2020, appointed Dr. Kurt Bock to the Supervisory Board as his successor, who was elected as the new Chairman of the Supervisory Board in the subsequent Supervisory Board meeting. The Supervisory Board member Dr. Alexander C. Karp resigned from the Supervisory Board at the end of the Supervisory Board meeting on July 22, 2020. The Ludwigshafen local court (*Amtsgericht*) appointed Liming Chen as a substitute member effective October 8, 2020. Accordingly, the Supervisory Board comprises the following members:

Dr. Kurt Bock, Heidelberg, Germany*¹

Chairman of the Supervisory Board of BASF SE
Former Chairman of the Board of Executive Directors of BASF SE (until May 2018)

Member of the Supervisory Board since: June 18, 2020

Memberships of statutory supervisory boards in Germany:

Fuchs Petrolub SE³ (chair)

Bayerische Motoren Werke Aktiengesellschaft³ (member)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Franz Fehrenbach, Stuttgart, Germany¹

Vice Chairman of the Supervisory Board of BASF SE
Chairman of the Supervisory Board of Robert Bosch GmbH

Member of the Supervisory Board since: January 14, 2008

Memberships of statutory supervisory boards in Germany:

Robert Bosch GmbH⁴ (chair)

Stihl AG³ (Stihl Holding AG & Co. KG group company) (vice chair)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

Stihl Holding AG & Co. KG⁴ (member of the Advisory Board)

Linde plc³ (member of the Board of Directors)

Sinischa Horvat, Limburgerhof, Germany*²

Vice Chairman of the Supervisory Board of BASF SE
Chairman of the Works Council of BASF SE, Ludwigshafen Site;
Chairman of BASF's Joint Works Council and of the BASF Works Council Europe

Member of the Supervisory Board since: May 12, 2017

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Prof. Dr. Thomas Carell, Munich, Germany*¹

Professor for Organic Chemistry at Ludwig Maximilian University Munich

Member of the Supervisory Board since: May 3, 2019

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Dame Alison Carnwath DBE, Exeter, England*¹

Senior Advisor Evercore Partners

Member of the Supervisory Board since: May 2, 2014

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

Zurich Insurance Group AG³ (independent, non-executive member of the Board of Directors)

Zürich Versicherungs-Gesellschaft AG (Zurich Insurance Group AG group company)⁴ (independent, non-executive member of the Board of Directors)

BP plc³ (non-executive director until January 15, 2021)

PACCAR Inc.³ (independent member of the Board of Directors)

Coller Capital Ltd.⁴ (non-executive member of the Board of Directors)

Broadwell Capital Limited⁴ (non-executive member of the Board of Directors)

Liming Chen, Beijing, China*¹

Chairman of IBM Greater China Group

Member of the Supervisory Board since: October 8, 2020

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

IBM China Investment Company Ltd.⁴ (chair, intragroup membership)

IBM (China) Company Ltd.⁴ (chair, intragroup membership)

IBM Global Services (DaLian) Company Limited⁴ (chair, intragroup membership)

IBM Solution and Services (ShenZhen) Company Ltd.⁴ (chair, intragroup membership)

IBM Financing and Leasing Company Ltd.⁴ (chair, intragroup membership)

IBM Factoring (China) Company Ltd.⁴ (chair, intragroup membership)

Inspur Power Commercial Systems Company Ltd.⁴ (chair, intragroup membership)

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board

¹ Shareholder representative

² Employee representative

³ Publicly listed

⁴ Not publicly listed

Tatjana Diether, Limburgerhof, Germany*²

Member of the Works Council of BASF SE, Ludwigshafen Site, and of the BASF Works Council Europe

Member of the Supervisory Board since: May 4, 2018

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Waldemar Helber, Otterbach, Germany*²

Deputy Chairman of the Works Council of BASF SE, Ludwigshafen Site

Member of the Supervisory Board since: April 29, 2016

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Anke Schäferkordt, Cologne, Germany*¹

Member of the Supervisory Board

Member of the Supervisory Board since: December 17, 2010

Memberships of statutory supervisory boards in Germany: Serviceplan Group Management SE,⁴ partner with unlimited liability of Serviceplan Group SE & Co. KG (member)

Bayerische Motoren Werke Aktiengesellschaft³ (member since May 14, 2020)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

Wayfair Inc.³ (non-executive director)

Denise Schellemans, Brecht, Belgium²

Full-time trade union delegate

Member of the Supervisory Board since: January 14, 2008

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Roland Strasser, Riedstadt, Germany*²

Regional Manager of the Rhineland-Palatinate/Saarland branch of IG BCE

Member of the Supervisory Board since: May 4, 2018

Memberships of statutory supervisory boards in Germany:

AbbVie Komplementär GmbH⁴ (member)

V & B Fliesen GmbH⁴ (member)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Michael Vassiliadis, Hannover, Germany²

Chairman of the Mining, Chemical and Energy Industries Union

Member of the Supervisory Board since: August 1, 2004

Memberships of statutory supervisory boards in Germany:

Steag GmbH⁴ (member)

RAG Aktiengesellschaft³ (vice chair)

Henkel AG & Co. KGaA³ (member)

Vivawest GmbH⁴ (member)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

The following member left the Supervisory Board on June 18, 2020**Dr. Jürgen Hambrecht, Neustadt an der Weinstraße, Germany*¹**

Chairman of the Supervisory Board of BASF SE (until June 18, 2020)

Former Chairman of the Board of Executive Directors of BASF SE (until May 2011)

Member of the Supervisory Board since: May 2, 2014

Memberships of statutory supervisory boards in Germany:

Trumpf GmbH & Co. KG⁴ (chair)

Daimler AG³ (member)

Daimler Truck AG³ (member)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

The following member left the Supervisory Board on July 22, 2020**Dr. Alexander C. Karp, Palo Alto, California*¹**

CEO Palantir Technologies Inc.

Member of the Supervisory Board since: May 3, 2019

Memberships of statutory supervisory boards in Germany: none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board

¹ Shareholder representative

² Employee representative

³ Publicly listed

⁴ Not publicly listed

Report of the Supervisory Board

Dear Shareholders,

The 2020 business year was dominated by a turn of events that few had foreseen at the beginning of the year: the coronavirus pandemic. The pandemic had a significant impact on BASF's business and its activities. In particular, the dramatic downturn in the second quarter left a clear mark on the BASF Group's earnings. The operating result declined significantly. The bottom line – income after taxes – was negative for the first time in many years due to special items. In this situation, the Supervisory Board intensified its communication with the Board of Executive Directors. It was informed in detail and at an early stage about changed business forecasts and the measures to be taken. The Board of Executive Directors ensured that employees were protected and kept costs and liquidity under control with effective crisis management. At the same time, cooperation with customers was further strengthened. Key initiatives to promote the long-term development of BASF continued unabated. In this way, the Board of Executive Directors led BASF through this difficult phase with strength, prudence and foresightedness.

The Supervisory Board expressly supports this approach and would like to thank the Board of Executive Directors and all employees worldwide for their extraordinary dedication and hard work in the 2020 business year.

This year, we as the Supervisory Board will again not have any opportunity to meet directly with you – our shareholders. We deeply regret this, because a physical Annual Shareholders' Meeting is the ideal place to discuss the development of your BASF with you. This report should give you the opportunity to appraise the Supervisory Board's work. We hope to be able to again meet and talk with you directly as soon as possible.

Monitoring and consultation in an ongoing dialog with the Board of Executive Directors

In 2020, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, all of the major financial key performance indicators (KPIs) of the BASF Group and its segments, the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development. It regularly discussed occupational and process safety, with a particular focus on the measures

resulting from the coronavirus pandemic. The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director's company leadership.

The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings. The Chairman of the Supervisory Board was always promptly and comprehensively informed of current developments and significant individual issues. The Supervisory Board was involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on all of those individual measures taken by the Board of Executive Directors which by law or the Statutes required the approval of the Supervisory Board.

Supervisory Board meetings

The Supervisory Board held seven meetings in the 2020 business year. With the exception of the meeting immediately following the Annual Shareholders' Meeting on June 18, 2020, in which Dr. Kurt Bock was elected as Chairman of the Supervisory Board following his appointment to the Supervisory Board, which one member of the Supervisory Board was unable to attend, all members attended all Supervisory Board meetings in 2020. Despite the restrictions due to the coronavirus pandemic, four of the meetings were able to be held in person with most Supervisory Board members physically present. The three meetings in April and June were held solely by means of electronic communication as video conferences. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors.

With the exception of the meeting following the Annual Shareholders' Meeting, all members of the Board of Executive Directors attended the Supervisory Board meetings unless it was deemed appropriate that the Supervisory Board discuss individual topics – such as personnel matters relating to the Board of Executive Directors – without them being present. In addition, each Supervisory Board meeting includes an agenda item that provides an opportunity for discussion without the Board of Executive Directors (executive session).

□ An individual overview of attendance at meetings of the Supervisory Board and its committees will be made available on the company website at basf.com/supervisoryboard/meetings

A significant component of all Supervisory Board meetings was the Board of Executive Directors' reports on the current business situation with detailed information on sales and earnings development, as well as on opportunities and risks for business development, the status of important current and planned investment projects, operational excellence and sustainability, developments on the capital markets, significant managerial measures taken by the Board of Executive Directors and innovation projects.

In all meetings in 2020, the Supervisory Board addressed the development of the coronavirus pandemic and its impact on the macro-economic environment and business developments and prospects of the BASF Group. It fully supported the Board of Executive Directors' measures and initiatives to respond to the crisis, avoid operational disruptions and ensure the health and safety of employees, including extensive remote and mobile working offerings.

In all meetings, it also discussed the progress of major investments and ongoing portfolio projects. Discussions focused on:

- The execution of the sale of the global construction chemicals business
- The development of the joint venture Wintershall Dea created by the merger of the oil and gas businesses of BASF and LetterOne
- The execution of the sale of the global pigments business
- The progress of the investment project to establish a new Verbund site in southern China

At its meeting on February 26, 2020, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2019 business year as presented by the Board of Executive Directors. It also discussed the agenda for the Annual Shareholders' Meeting, which was originally planned for April 30, 2020, and adopted its proposals for resolutions. Other topics discussed at the meeting were business conditions and BASF's development and prospects in China, the world's largest chemical market, as well as the project to construct a new Verbund site in southern China, the report on the strategy and focus areas of research and development, and the integration and use of renewable energies in the BASF Group.

The main focus of the meeting on April 29, 2020, was the effects of the coronavirus pandemic, which had been spreading since the middle of the first quarter, on BASF's business and prospects, as well as crisis management and measures in connection with the coronavirus pandemic. The Supervisory Board also addressed the execution of the Annual Shareholders' Meeting, which had been postponed to June 18, 2020, due to the coronavirus pandemic, and agreed to it being held as a virtual event without the physical presence of shareholders.

The Supervisory Board met virtually prior to the virtual Annual Shareholders' Meeting on June 18, 2020, primarily to prepare for the Annual Shareholders' Meeting. In a further meeting following the Annual Shareholders' Meeting, the Supervisory Board elected Dr. Kurt Bock as the new Chairman of the Supervisory Board. He succeeds Dr. Jürgen Hambrecht, who retired from the Supervisory Board.

The main agenda items at the meeting on July 22, 2020, were BASF's leadership development and personnel concept, as well as the current status of and the strategies and main plans for the further development of the Nutrition & Health and Agricultural Solutions divisions.

At the strategy meeting on October 22/23, 2020, the Board of Executive Directors and the Supervisory Board discussed at length the status of implementation of the corporate strategy with a particular focus on growth, strengthening profitability and portfolio development, as well as key aspects of BASF's strategic development. These included:

- The further development of BASF's portfolio after the coronavirus pandemic
- Growth projects (the Verbund site in China and battery materials)
- The development of the regulatory environment, including the European Green Deal
- The transformation to a circular economy
- The energy transformation to reduce CO₂ emissions

At its meeting on December 17, 2020, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning, including the investment budget for 2021, and, as in previous years, authorized the Board of Executive Directors to procure the necessary financing in 2021 within a set limit.

Compensation and composition

In several meetings over the 2020 business year, the Supervisory Board discussed and passed resolutions on the compensation of the Board of Executive Directors and its composition.

At its meeting on February 26, 2020, the Supervisory Board discussed and agreed on the 2020 targets for the Board of Executive Directors based on the preparations of the Personnel Committee. At the meeting on April 29, 2020, in light of the dramatic deterioration in business performance since the outbreak of the coronavirus pandemic, it discussed the voluntary relinquishment by the members of the Supervisory Board of part of their fixed Supervisory Board compensation, and the corresponding offer made by the members to the Board of Executive Directors to voluntarily relinquish part of their fixed compensation on a temporary basis. Corresponding waiver declarations were subsequently submitted by all members of the Supervisory Board and the Board of Executive Directors.

At its meeting on December 17, 2020, the Supervisory Board evaluated, based on the discussions and the corresponding recommendation of the Personnel Committee, the Board of Executive Directors' performance in 2020 and resolved to grant short-term variable compensation to the members of the Board of Executive Directors. The resolution was necessary as the minimum return on capital employed (ROCE) required for the short-term bonus of 4% was not achieved. The decision to grant a bonus was justified by the Board of Executive Directors' sound crisis management during the coronavirus pandemic and the achievement of key operational and strategic targets in 2020. In addition, the Supervisory Board defined the strategic performance factors for the deferral compensation components for 2018–2021 and 2019–2022. The Chairman of the Supervisory Board abstained from the resolution on the factor for the performance bonus for 2018–2021 as this affected him personally.

 For more information on the allocation of responsibilities within the Board of Executive Directors, see Management and Supervisory Boards from page 76 onward

At its meeting on December 17, 2020, the Supervisory Board also addressed the composition of the Board of Executive Directors and longer-term succession planning. Based on the recommendation of the Personnel Committee, it appointed Dr. Melanie Maas-Brunner as an additional member of the Board of Executive Directors as of February 1, 2021. As a further element of this long-term succession planning, Wayne T. Smith will leave the Board of Executive Directors at midnight on May 31, 2021, one year before the end of his current appointment to the Board of Executive Directors, which ends on conclusion of the Annual Shareholders' Meeting 2022.

 For more information on the compensation of the Board of Executive Directors and the Supervisory Board, see the Compensation Report on pages 54 to 75 and the invitation to the Annual Shareholders' Meeting on April 29, 2021, which will be published on March 18, 2021

Committees

The Supervisory Board of BASF SE has four committees: 1. the committee for personnel matters of the Board of Executive Directors and the granting of loans in accordance with section 89(4) of the German Stock Corporation Act (Personnel Committee); 2. the Audit Committee; 3. the Nomination Committee; and 4. the Strategy Committee. Following each Committee meeting, the chairs of the Committees reported in detail about the meetings and the activities of the Committees at the subsequent meeting of the Supervisory Board.

 For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report on pages 45 to 46

The **Personnel Committee** met four times during the reporting period. All committee members attended all meetings. At its meeting on February 26, 2020, the Personnel Committee discussed the targets for the Board of Executive Directors for the 2020 business year and the 2019 Compensation Report. A key topic of discussion at the meeting on April 29, 2020, was the temporary, voluntary relinquishment by the Board of Executive Directors and the Supervisory Board of part of their compensation. At its meeting on July 22, 2020, the Personnel Committee addressed the status of leadership development at the top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors. At its meeting on December 16, 2020, the Personnel Committee discussed the future composition of the Board of Executive Directors with the suggestion to appoint Dr. Melanie Maas-Brunner to the Board of Executive Directors and consequently terminate Wayne T. Smith's mandate one year ahead of the end of his regular term of office. Other topics were the appropriateness of the compensation of the Board of Executive Directors, the assessment of its performance in 2020 and a proposal for the performance-related variable compensation of the Board of Executive Directors.

The **Audit Committee** met six times during the reporting period. With the exception of one meeting, which one member did not attend, all committee members attended all meetings. The Audit Committee is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and the

recommendations of the German Corporate Governance Code. In 2020, the Supervisory Board additionally tasked the Audit Committee with monitoring the internal process of identifying related party transactions and adopting resolutions to approve related party transactions.

At the meeting on February 23, 2021, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2020 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the non-financial statements of BASF SE and the BASF Group. In preparation for this audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Nonfinancial Statements and to issue an assurance report on it. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 21, 2020, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting on June 18, 2020 – with the audit for the 2020 reporting year and auditing fees were agreed upon. The focus areas and scope of the annual audit were discussed and defined together with the auditor. The Audit Committee excluded in principle the engagement of the auditor to perform any services outside of the audit of the annual financial statements, including beyond prevailing legal limitations. For certain nonaudit services, the Audit Committee authorized the Board of Executive Directors to engage KPMG for such services to a very limited extent, or granted approval in individual cases. At the meeting on December 16, 2020, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items.

Other important agenda items included providing guidance to the Board of Executive Directors on accounting issues, the control system established by the Board of Executive Directors, and follow-up assessments of acquisition and investment projects. At its meeting on April 29, 2020, the Audit Committee addressed risk management in the BASF Group and the organization of internal environmental, health and safety audits. It focused on the internal auditing system and, in particular, payment fraud prevention at the meeting on July 21, 2020, and compliance in the BASF Group on December 16, 2020. In these meetings, the head of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. In all meetings, the Audit Committee also received information on the development of risks from litigation.

In 2020, the Audit Committee's work focused on the effects of the coronavirus pandemic on BASF's results of operations and business prospects, as well as the impairment of various material assets. To this end, the Audit Committee received regular reports from the Chief Financial Officer and discussed the ramifications. At an

extraordinary committee meeting on October 8, 2020, it discussed at length the possible impairment of property, plant and equipment and intangible assets identified by the Board of Executive Directors, in particular the assumptions underlying measurement.

The **Nomination Committee** is responsible for preparing candidate proposals for the Supervisory Board members to be elected by the Annual Shareholders' Meeting. The Nomination Committee is guided by the objectives for the composition of the Supervisory Board adopted by the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met twice in 2020. One member was absent at each of the two meetings; otherwise, the meetings were attended by all committee members. Items discussed at the meetings were the existing competence profile and diversity concept for the Supervisory Board, the selection of candidates for appointment to the Supervisory Board by the court following Dr. Alexander C. Karp's departure from the Supervisory Board, and the proposal to nominate Liming Chen as his successor.

The Strategy Committee, which was established to discuss strategic options for the further development of the BASF Group, did not meet in 2020.

Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2020, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code in the current version dated December 16, 2019. Other important consultation topics were the translation of the second E.U. Shareholder Rights Directive into German law and, in particular, the new regulations governing related party transactions.

In accordance with the recommendations of the German Corporate Governance Code and the Guiding principles for the dialog between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2020.

Special onboarding events are held for new members of the Supervisory Board to familiarize them with the basics of corporate governance at BASF, the organization and internal structures of the BASF Group, and the composition of its businesses. Above and beyond this, the company also supports the members of the Supervisory Board with training for their activities on the Supervisory Board, whether through external offerings such as topic-specific seminars or internal information offerings such as site and plant visits.

For more information on competence profiles, diversity concepts and composition objectives, see the Corporate Governance Report on page 44 and from page 47 onward

At its meeting of December 17, 2020, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with section 161 of the German Stock Corporation Act (AktG). BASF complies with the recommendations of the German Corporate Governance Code in the version dated December 16, 2019, without exception. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

The full Declaration of Conformity is rendered on page 53 and is available to shareholders on the company website at [basf.com/en/corporategovernance](https://www.basf.com/en/corporategovernance)

Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. The Supervisory Board based the assessment of the independence of its members on the recommendations of the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members contained in the Rules of Procedure of the Supervisory Board, which were revised in the Supervisory Board meeting on December 19, 2019. The criteria used to assess independence are presented in the Corporate Governance Report on page 47. According to the Supervisory Board's assessment, on the basis of these criteria, five of the six shareholder representatives and four of the six employee representatives – 9 of the 12 members of the Supervisory Board in total – are considered to be independent. All three non-independent Supervisory Board members were classified as such due to the length of their membership on the Supervisory Board, which exceeds 12 years in each case. Beyond this limitation, however, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment of their independence. The scope of these businesses is relatively marginal and furthermore takes place under conditions similar to those of a third party.

As a consequence of the change in assessed independence of Franz Fehrenbach, the Supervisory Board resolved to appoint Anke Schäferkordt to the Audit Committee in his place as of March 1, 2020, to ensure that the shareholder representatives on the Audit Committee continue to solely be independent Supervisory Board members in the future.

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. To this end, the new Chairman of the Supervisory Board Dr. Kurt Bock met with all Supervisory Board members individually in June and July in preparation, and again in December 2020. Topics centered in particular on Supervisory Board meeting preparation and agendas, cooperation with the Board of Executive Directors, the quality of the information supplied to the Supervisory Board, cooperation between shareholder and employee representatives, the tasks, composition and work of the

committees, and the need for information and training for Supervisory Board members. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented by the Chairman of the Supervisory Board at the Supervisory Board meeting on December 17, 2020, and thoroughly discussed by the members of the Supervisory Board. Overall, its members rated the Supervisory Board's activity as efficient.


Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2020 based on individual discussions between the chair of the Audit Committee and all members of the Audit Committee. Material subjects were the topics addressed by the committee, the number, organization and content of meetings, the depth and quality of discussions, and the supply of information as the basis of the committee's work. The Audit Committee discussed the results of the questionnaire and detailed suggestions at its meeting on December 16, 2020. On this basis, the members judged the Audit Committee's work to be efficient and appropriate.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2020 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management's Report and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under section 91(2) of the German Stock Corporation Act (AktG) in an appropriate manner. In particular, it had instituted an appropriate information and monitoring system that fulfilled the requirements of the company and is applicable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of the financial statements are presented in the Auditor's Report.

 The Auditor's Report is rendered from page 124 onward

Beyond the statutory audit of the Financial Statements, KPMG also conducted, on behalf of the Supervisory Board, a substantive audit with limited assurance of the Nonfinancial Statements (NFSs) for BASF SE and the BASF Group, which are integral parts of the respective management's reports. On the basis of its audit, KPMG did not raise any objections to the nonfinancial reporting and the satisfaction of the relevant statutory requirements.

 The assurance report issued by KPMG on the substantive audit of the NFS can be found at basf.com/nfs-audit-2020/basf-se

The auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 23, 2021, as well as

the accounts meeting of the Supervisory Board on February 24, 2021, and reported on the procedure and material findings of its audit, including the key audit matters described in the Auditor's Report. The auditor also provided detailed explanations of the reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the Financial Statements and Management's Report at its meeting on February 23, 2021, including the reports prepared by the auditor and the key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The chair gave a detailed account of the preliminary review at the Supervisory Board meeting on February 24, 2021. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2020, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2020. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management or the reports submitted.

At its accounts meeting on February 24, 2021, the Supervisory Board approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the 2020 Financial Statements final. The Supervisory Board concurred with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.30 per share.

Composition of the Supervisory Board

Dr. Jürgen Hambrecht, Chairman of the Supervisory Board, retired from the Supervisory Board on conclusion of the Annual Shareholders' Meeting on June 18, 2020. He had already announced his intention to resign from this position on his reelection by the Annual Shareholders' Meeting 2019. The Annual Shareholders' Meeting elected Dr. Kurt Bock to the Supervisory Board as his successor. The Supervisory Board appointed Dr. Kurt Bock as Chairman of the Supervisory Board immediately following the Annual Shareholders' Meeting. The Supervisory Board member Dr. Alexander C. Karp left the Supervisory Board at the end of July 2020 after announcing his resignation for professional reasons. At the request of the Chairman of the Supervisory Board, supported by the members of the Nomination Committee, the Ludwigshafen am Rhein local court (*Amtsgericht*) appointed Mr. Liming Chen to the Supervisory Board as a shareholder representative effective October 8, 2020. Liming Chen has many years of management experience at chemical and petrochemical companies. As Chairman of IBM Greater China Group, he also brings with him expertise in digitalization and is very familiar with the growth market of China. Liming Chen is considered independent based on the criteria used by the company to assess the independence of Supervisory Board members. The Supervisory Board satisfied itself that he can devote the necessary time to the BASF mandate.

According to the Supervisory Board's assessment, the current members meet in full the objectives for the composition of the Supervisory Board with respect to the competence profile and the diversity concept.

 For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 47

We would like to thank the now retired members of the Supervisory Board, Dr. Jürgen Hambrecht and Dr. Alexander C. Karp, for their constructive and trust-based cooperation, and their contributions to the success and further development of the company. Dr. Jürgen Hambrecht held leadership roles at BASF for 44 years. As the long-serving Chairman of the Board of Executive Directors and Chairman of the Supervisory Board, he played a pivotal role in shaping BASF and the company's development with far-sightedness and vigor.

Ludwigshafen, February 24, 2021

The Supervisory Board



Kurt Bock

Chairman of the Supervisory Board

Financial Statements of BASF SE

Statement of Income

Statement of income

Million €

| | Explanations in Note | 2020 | 2019 |
|-----------------------------------|----------------------|---------------|---------------|
| Sales revenue | (2) | 19,915 | 22,185 |
| Cost of sales | | 16,965 | 17,554 |
| Gross profit on sales | | 2,950 | 4,631 |
| Selling expenses | | 1,905 | 2,040 |
| General administrative expenses | | 458 | 485 |
| Research expenses | | 1,240 | 1,292 |
| Other operating income | (3) | 175 | 307 |
| Other operating expenses | (4) | 1,302 | 1,168 |
| Income from operations | | -1,780 | -47 |
| Income from shareholdings | | 5,704 | 4,135 |
| Interest result | | -649 | -116 |
| Other financial result | | 40 | 40 |
| Financial result | (5) | 5,095 | 4,059 |
| Income before income taxes | | 3,315 | 4,012 |
| Income taxes | (6) | -631 | 113 |
| Net income | | 3,946 | 3,899 |

Balance Sheet

Assets

| Million € | Explanations in Note | December 31, 2020 | December 31, 2019 |
|---|----------------------|-------------------|-------------------|
| Intangible assets | (8) | 2,127 | 1,774 |
| Property, plant and equipment | (9) | 3,526 | 4,265 |
| Financial assets | (10) | 21,067 | 21,183 |
| Fixed assets | | 26,720 | 27,222 |
| Inventories | (11) | 2,271 | 2,588 |
| Accounts receivable, trade | | 805 | 1,208 |
| Receivables from affiliated companies | | 20,580 | 21,348 |
| Miscellaneous receivables and other assets | | 565 | 451 |
| Receivables and other assets | (12) | 21,950 | 23,007 |
| Marketable securities | | 200 | 400 |
| Cash at bank and on hand | | 2,469 | 970 |
| Liquid funds | (13) | 2,669 | 1,370 |
| Current assets | | 26,890 | 26,965 |
| Prepaid expenses | (14) | 190 | 206 |
| Deferred tax assets | (6) | 1,320 | 613 |
| Excess of plan assets over obligations | (17) | 326 | 206 |
| Total assets | | 55,446 | 55,212 |

Equity and liabilities

| Million € | Explanations in Note | December 31, 2020 | December 31, 2019 |
|---|----------------------|-------------------|-------------------|
| Subscribed capital | (15) | 1,176 | 1,176 |
| Capital surplus | | 3,139 | 3,139 |
| Retained earnings | (16) | 10,952 | 10,084 |
| Retained profits | (16) | 3,946 | 3,899 |
| Equity | | 19,213 | 18,298 |
| Special reserves | | 59 | 61 |
| Provisions for pensions and similar obligations | (17) | 64 | 56 |
| Provisions for taxes | | 462 | 346 |
| Other provisions | (18) | 1,373 | 1,473 |
| Provisions | | 1,899 | 1,875 |
| Financial indebtedness | | 17,588 | 14,732 |
| Accounts payable, trade | | 1,024 | 955 |
| Liabilities to affiliated companies | | 14,631 | 18,283 |
| Miscellaneous liabilities | | 772 | 713 |
| Liabilities | (19) | 34,015 | 34,683 |
| Prepaid expenses | | 260 | 295 |
| Total equity and liabilities | | 55,446 | 55,212 |

Notes

Corporate legal data: The company BASF SE, headquartered in Ludwigshafen am Rhein, Germany, is registered at the Ludwigshafen district trade register (*Amtsgericht*) under the number HRB 6000.

Accounting principles: The Financial Statements of BASF SE are prepared in accordance with the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and the applicable regulations for public limited-liability companies in the Member State in which it has its registered office, i.e., in accordance with the accounting regulations for the fiscal year ending December 31, 2020, in particular the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

1 – Accounting and valuation methods

Revenue recognition: Revenues from goods or services are recognized upon the transfer of benefits and risks to the buyer or when the services are rendered. Allowances are made for rebates and other trade discounts. Provisions are recognized to cover probable risks from the return of products, future warranty obligations and other claims, taking into account the individual circumstances.

Intangible assets: These are valued at cost less straight-line amortization. In 2020, the weighted average amortization period was 12 years and was based on the following useful lives:

| | 2020 | 2019 |
|---|----------|----------|
| Goodwill | 11 years | 10 years |
| Software | 4 years | 4 years |
| Patents, licenses, know-how, other rights | 14 years | 14 years |

The useful lives of individual goodwill items are determined by the expected economic use of the acquired businesses or are based on expert opinions of the useful lives of patents, licenses, know-how and other rights purchased as part of the acquisition.

Write-downs are recognized if impairment is expected to be permanent. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the amortized cost. For goodwill, the lower carrying amount is retained.

BASF SE does not make use of the optional right to capitalize internally generated intangible assets forming part of fixed assets.

Property, plant and equipment: These are measured at acquisition or production cost less depreciation over their estimated useful lives. Additions that cost more than €250 but not more than €800 are depreciated immediately in the year of purchase. Items that cost less than €250 are recognized directly as expenses. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing costs, depreciation of fixed assets provided this is necessitated by production, and a share

of the general and administrative costs of the divisions associated with the construction of the plants. Financing costs, costs for social services, costs for voluntary social benefits and pension costs are not capitalized.

Both movable and immovable fixed assets are depreciated using the straight-line method. Declining-balance depreciation of additions from previous years is continued. For declining-balance depreciation, a systematic transition to straight-line depreciation takes place if this results in higher depreciation amounts.

The weighted average depreciation periods were as follows:

| | 2020 | 2019 |
|---|----------|----------|
| Buildings and structural installations | 24 years | 24 years |
| Machinery and technical equipment | 10 years | 10 years |
| Factory and office equipment and other facilities | 10 years | 10 years |

Write-downs to the lower fair value are recognized if impairment is expected to be permanent. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the amortized cost.

Financial assets: In accordance with the principle of individual valuation, shareholdings and loans are carried at cost. Interest-bearing loans are recognized at cost; loans bearing no interest or below market interest rates are recognized at present value. In the case of permanent impairment, existing risks are recognized through an impairment loss based on the estimated fair value of the loan and shareholding. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the acquisition cost.

Financial activities are shown in the statement of income under income from shareholdings, interest result and other financial result.

Inventories: Inventories are carried at cost. They are recognized at quoted, market or fair values if these are lower than cost. For raw materials and factory supplies, fair values constitute the replacement costs. Merchandise is recognized at the expected sales proceeds less costs to be incurred prior to sale or lower replacement costs.

Work in process and finished goods are recognized at the expected sales proceeds less costs to be incurred prior to sale or lower reproduction cost. The acquisition or production costs of raw materials as well as work in process, finished goods and merchandise are determined by the last-in, first-out (LIFO) method. Factory supplies are carried predominantly at average cost. To cover storage risks, valuations are adjusted downward based on coverage and turnover analyses.

In addition to direct costs, production costs include an appropriate allocation of overhead production costs – including the general administrative expenses of each production unit – using normal capacity utilization rates for the production plants. Furthermore, depreciation of fixed assets is reported in cost of sales provided this is necessitated by production. Financing costs, social services, voluntary social benefits and pensions are not included in production costs.

Construction in progress pertains especially to chemical plants under construction for BASF Group companies. Profits are recognized upon the final invoicing of a project or the invoicing of part of a project. Expected losses are recognized by write-downs to the lower fair values.

Advance payments on inventories are measured at cost.

Receivables and other assets: These are generally carried at their nominal value. Loan receivables generating no or low interest are discounted to their present values. For risks of collectability, country-specific risks and general credit risks, appropriate valuation allowances and write-downs are carried out to take into account lower fair values. Valuation allowances on trade accounts receivable are recognized using customer-specific discount rates calculated by BASF, which are linked to a percentage rate for probability of default and country-specific risk.

Liquid funds: This item includes marketable securities, cash at banks and cash on hand. Marketable securities are measured at cost. Inventories are recognized at quoted, market or fair values if these are lower than cost. Cash on hand and bank balances are measured at nominal costs.

Deferred taxes: These are recorded for temporary differences between the valuation of assets and liabilities in the Financial Statements and the corresponding carrying values for tax purposes. Deferred tax assets are recognized if the net temporary difference is an asset balance. BASF SE does not recognize deferred taxes from tax group companies; these are accounted for within the tax group companies. In addition, deferred taxes are recorded for tax loss carryforwards.

Offsetting of assets as well as income and expenses:

Assets that cannot be accessed by any other creditors and that only serve to meet debts allocated to these assets arising from obligations related to pensions and working-time accounts are measured at fair value and offset with these debts.

The fair value of the plan assets generally corresponds to the market price. If there is no active market, the fair value is calculated using generally recognized measurement methods. The measurement

methods should determine a fair value that reasonably approximates a market price that would have prevailed between independent business partners under normal business conditions. Should a reliable determination of fair value not be possible using recognized measurement methods, amortized cost is to be applied following the strict lower of cost or market principle. In the case of plan assets of working-time accounts, amortized cost corresponds to the budgeted actuarial reserves of the insurance contract plus irrevocably distributed profit shares.

If the obligation is found to exceed the plan assets, the remaining difference is reported under provisions. If the plan assets exceed the corresponding obligation, the difference is reported as an excess of plan assets over obligations.

For pensions and working-time accounts, income and expenses from plan assets are offset with the income and expenses of the corresponding obligation. These balances are reported under the interest result.

Special reserves: The special reserves were maintained pursuant to section 67(3) sentence 1 of the Introductory Law to the German Commercial Code (EGHGB), as these were established before the year in which the conversion to the provisions of the Act to Modernize Accounting Law (BilMoG) took place. This referred primarily to transmissions of revealed inner reserves in accordance with section 6b of the German Income Tax Act (EStG). Since January 1, 2010, no new special reserves have been established.

Provisions: Provisions for pensions are determined on the basis of actuarial assumptions made according to the internationally accepted projected unit credit method. The obligations are valued using assumptions regarding future pay and pension increases. The valuation is based on the 2018 G mortality tables by Prof. Dr. Klaus Heubeck, modified by the mortality and invalidity expectations for the BASF population. Age-dependent and gender-specific fluctuation probabilities are also used. In accordance with the German law on implementing the guideline for residential real estate mortgage loans and on amended commercial regulations, the discount rate is determined as the average market interest rate of the past 10 years as published by Deutsche Bundesbank, with an assumed residual period of 15 years. The obligations as of December 31, 2020, were valued using a discount rate of 2.30% (as of December 31, 2019: 2.71%). Indirect pension obligations are not recognized as liabilities, pursuant to the optional right under section 28(1) sentence 2 EGHGB.

Provisions for taxes are determined for German trade income tax and German corporate income tax based on the expected trade earnings and the expected taxable corporate income.

Other provisions are recognized for the expected amounts of contingent liabilities and probable losses from pending transactions, as well as to cover omitted maintenance procedures as of the end of the year, which will be incurred within the first three months of the following year. The amounts provided are based on reasonable commercial judgment of the amount necessary to meet obligations, while taking into consideration expected future price and cost increases. Provisions with a maturity of more than one year are discounted in accordance with their maturity with the average market

interest rate of the past seven business years, as published by Deutsche Bundesbank.

Provisions are established for environmental protection measures or risks if it is likely that the measures are necessary to comply with legal or regulatory obligations, provided these measures do not lead to costs that must be capitalized.

Provisions for recultivation obligations associated with the operation of landfill sites are built up in installments over the expected service lives.

Provisions for long-service bonuses are calculated based on actuarial principles corresponding to the projected unit credit method taking into account the rate of compensation increase and the adequate periodical interest rate pursuant to section 253(2) HGB.

The provisions for share price-based variable compensation (old LTI program) are measured at the fair values of existing options as of the balance sheet date. These are based on the arbitrage-free valuation model according to Black-Scholes. The amounts are accrued proportionally as provisions over the respective vesting period.

The provision for share price-based variable compensation in the form of a performance share plan (new LTI program) is measured at fair value and discounted in line with the remaining term in accordance with section 253(2) HGB.

Liabilities: Liabilities are recognized in the amount required for settlement.

Translation of foreign currency items: The cost of assets acquired in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rate on the date of the transaction.

Current foreign currency receivables and liabilities are valued at the average spot currency exchange rate on the balance sheet date. Noncurrent foreign currency receivables are recorded at the rate prevailing on the acquisition date or at the rate on the balance sheet date if lower. Noncurrent foreign currency liabilities are recorded at the rate prevailing on the acquisition date or at the rate on the balance sheet date if higher. Foreign currency receivables or liabilities that are hedged are carried at hedge rates.

Derivative financial instruments: Derivative financial instruments are treated as pending transactions and are generally not recorded as assets or liabilities. The associated underlying transactions and derivatives are combined into valuation units. Profits from hedging transactions that cannot be tied to a particular underlying transaction are only realized upon maturity. Unrealized losses from derivative financial instruments are recognized through profit or loss and included in provisions, provided they are not combined into valuation units and the unrealized losses are not offset by changes in value of the underlying transactions.

The use of derivative financial instruments to hedge against foreign currency, interest rate, share price and other price risks is described in detail in Note 23 – Derivative instruments.

Use of estimates and assumptions in the preparation of the Financial Statements: The carrying amounts of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Financial Statements depend on the use of estimates and assumptions. They are based on the circumstances and estimates on the balance sheet date and affect the reported amounts of income and expense during the reporting periods. In the preparation of these Financial Statements, such estimates are used in the determination of the useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying amount of investments, and other similar evaluations of assets and obligations, among other things. Although uncertainty is properly incorporated into the valuation factors, actual results can differ from these estimates.

Customer facilities: The energy facilities operated by BASF SE to produce electricity and gas are customer facilities for internal supply in accordance with section 3 no. 24b of the German Energy Act (EnWG). BASF SE is therefore not subject to the regulations imposed upon grid operators by the EnWG.

2 – Sales revenue

Sales by segment

| Million € | 2020 | 2019 |
|------------------------|---------------|---------------|
| Chemicals | 4,527 | 5,470 |
| Materials | 3,056 | 3,512 |
| Industrial Solutions | 3,528 | 3,901 |
| Surface Technologies | 423 | 509 |
| Nutrition & Care | 4,227 | 4,405 |
| Agricultural Solutions | 2,981 | 3,195 |
| Other | 1,173 | 1,193 |
| | 19,915 | 22,185 |

Sales by region

| Million € | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| Europe | 14,082 | 15,963 |
| of which Germany | 4,831 | 5,385 |
| North America | 1,652 | 1,706 |
| Asia Pacific | 2,552 | 2,803 |
| South America, Africa, Middle East | 1,629 | 1,713 |
| | 19,915 | 22,185 |

3 – Other operating income

Other operating income declined by €132 million to €175 million. Out-of-period income amounted to €62 million (previous year: €123 million) and included income from the release of provisions of €33 million (previous year: €54 million). Furthermore, income from portfolio measures decreased by €60 million compared with the previous year.

In addition, income from contractually agreed compensation payments of €29 million was recognized in the reporting year (previous year: €46 million). By contrast, gains from foreign currency transactions rose by €15 million to €33 million in the reporting year.

4 – Other operating expenses

Other operating expenses rose by €134 million to €1,302 million. Impairments on property, plant and equipment in the amount of €87 million, expenses for aid measures of €44 million and other expenses of €24 million were recognized in the reporting year in connection with the coronavirus pandemic. In addition, contributions to provisions for share price-based variable compensation (LTI programs) rose by €10 million compared with the previous year. Expenses for portfolio measures were also above the prior-year

level. Out-of-period expenses amounted to €24 million (previous year: €2 million). Expenses for restructuring measures of around €220 million (previous year: around €300 million) were recognized in the reporting year in connection with the further implementation of the corporate strategy. Losses from foreign currency transactions amounted to €53 million (previous year: €70 million) and resulted mainly from transactions in U.S. dollars and Russian rubles.

5 – Financial result

Financial result

| Million € | 2020 | 2019 |
|--|--------------|--------------|
| Income from shareholdings and similar income | 5,531 | 3,388 |
| of which from affiliated companies | 5,479 | 3,332 |
| Income from profit transfers | 594 | 1,003 |
| Income from tax allocation to affiliated companies | 48 | 140 |
| Expenses from loss transfer agreements | 399 | 347 |
| Write-downs of, and losses from, the disposal of shareholdings | 70 | 49 |
| Income from shareholdings | 5,704 | 4,135 |
| Income from other securities and the loan of financial assets | 9 | 4 |
| of which from affiliated companies | 1 | 2 |
| Interest and similar income | 132 | 344 |
| of which from affiliated companies | 14 | 36 |
| Interest and similar expenses | 790 | 464 |
| of which to affiliated companies | 12 | 31 |
| Interest result | -649 | -116 |
| Write-downs of, and losses from, the disposal of loans and marketable securities | 17 | 55 |
| Miscellaneous other financial result | 57 | 95 |
| Other financial result | 40 | 40 |
| Financial result | 5,095 | 4,059 |

The financial result rose by €1,036 million to €5,095 million. The increase in income from shareholdings and similar income from affiliated companies in the reporting year was attributable to a dividend payment of €4,950 million after BASF SE implemented a capital increase at a subsidiary. Lower gains on the disposal of shareholdings had an offsetting effect. Income from profit transfers also declined in the reporting year.

The interest result contained the balance of income and expenses from plan assets for pensions and working-time accounts as offset against the income and expenses of the corresponding obligations. Interest expenses from pension-related obligations amounted to €458 million (previous year: €512 million) and income from pension plan assets amounted to €74 million (previous year: €682 million). This led to a considerable decrease in the interest result.

Expenses from the unwinding of the discount on other provisions amounted to €10 million (previous year: €9 million) and are included in interest and similar expenses.

The miscellaneous other financial result declined by €38 million to €57 million. The decrease was mainly due to lower gains on commercial paper hedging. This was partially offset by higher interest income on income taxes.

6 – Income taxes

Tax expense

| Million € | 2020 | 2019 |
|-------------------------------------|-------------|------------|
| Current income tax expenses | 76 | 131 |
| Deferred tax assets and liabilities | -707 | -18 |
| Income taxes | -631 | 113 |
| Other taxes | 39 | 38 |
| Tax expense | -592 | 151 |

Current income tax expenses declined by €55 million to €76 million in the reporting year as a result of lower additions to tax provisions for previous years and the decrease in income at BASF SE and its

tax group companies. Current tax expenses include out-of-period expenses of €25 million.

Deferred tax assets

| Million € | 2020 | 2019 |
|---|--------------|------------|
| Fixed assets | 301 | 92 |
| Inventories, accounts receivable and other assets | -13 | -25 |
| Pension provisions | 600 | 496 |
| Other provisions and miscellaneous liabilities | 51 | 50 |
| Tax loss carryforwards | 381 | - |
| | 1,320 | 613 |

Deferred tax assets were recorded for temporary differences between valuations in the Financial Statements and valuations for tax purposes in the amount of €939 million, as well as for tax loss carryforwards in the amount of €381 million.

affects assets under contractual trust arrangements, are calculated using only the corporate tax rate including the solidarity surcharge (15.825%), since these assets are held by an independent partnership with its own trade tax obligation.

A tax rate of 30% was applied in the calculation of deferred taxes for 2020 and 2019. Deferred taxes for the difference in assets, which

7 – Other disclosures

Cost of materials

| Million € | 2020 | 2019 |
|---|---------------|---------------|
| Cost of raw materials, plant supplies and purchased merchandise | 11,664 | 13,076 |
| Cost of purchased services | 3,009 | 3,377 |
| | 14,673 | 16,453 |

Personnel expenses

| Million € | 2020 | 2019 |
|--|--------------|--------------|
| Wages and salaries | 2,839 | 3,099 |
| Social security contributions and expenses for pensions and assistance | 694 | 646 |
| of which for pension benefits | 257 | 199 |
| | 3,533 | 3,745 |

The decrease in wages and salaries is primarily attributable to variable compensation.

Average number of employees

| | 2020 | 2019 |
|---------------------|---------------|---------------|
| Nonexempt employees | 23,719 | 24,273 |
| Exempt employees | 8,670 | 8,888 |
| Apprentices | 1,871 | 1,814 |
| Temporary staff | 249 | 261 |
| | 34,509 | 35,236 |

Compensation for the Board of Executive Directors and Supervisory Board

| Million € | 2020 | 2019 |
|--|-------------|-------------|
| Performance-related and fixed cash payments to the Board of Executive Directors | 9.7 | 13.3 |
| Market value of options and performance share units granted to the Board of Executive Directors in the fiscal year as of grant date ¹ | 11.6 | 3.2 |
| Total compensation for the Board of Executive Directors | 21.3 | 16.5 |
| Service cost for members of the Board of Executive Directors | 3.7 | 2.6 |
| Compensation for the Supervisory Board | 2.9 | 3.3 |
| Total compensation of former members of the Board of Executive Directors and their surviving dependents ² | 11.2 | 10.9 |
| Pension provisions for former members of the Board of Executive Directors and their surviving dependents | 168.4 | 156.9 |
| Contingent liabilities in favor of members of the Board of Executive Directors and the Supervisory Board | – | – |

¹ The Board of Executive Directors was granted the new LTI performance share plan for the first time in 2020.

² Adjusted for the accounting valuation of option rights and non-compete compensation, this would have amounted to €12.5 million in 2020 (previous year: €11.5 million).

The STI performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. Under certain conditions, ROCE is adjusted for special items resulting from acquisitions and divestitures. The ROCE for 2020 is lower than the threshold according to the bonus curve. In this case, the compensation system stipulates that the ROCE factor be determined by a special resolution of the Supervisory Board. The Supervisory Board has determined a ROCE factor of 0.3.

The members of the Board of Executive Directors were granted 166,272 option rights under the previous long-term incentive (LTI) program for the last time in 2020.

Market valuation of the option rights of active and former members of the Board of Executive Directors resulted in an expense totaling €1.1 million in 2020. In 2019, option rights led to an expense in the amount of €3.0 million.

In 2020, members of the Board of Executive Directors were granted 151,247 performance share units for the first time in connection with the new LTI, which led to an expense of €2.8 million in 2020.

Declaration of Conformity: The Declaration of Conformity with the German Corporate Governance Code (see page 53) in accordance with section 161 AktG was signed by the Board of Executive Directors and the Supervisory Board of BASF SE in December 2020.

For more information, see basf.com/en/corporategovernance

8 – Intangible assets

Development 2020

Million €

| | Purchased industrial property rights and similar rights and values ¹ | Goodwill | Advance payments | Total |
|--|---|------------|------------------|--------------|
| Cost | | | | |
| As of January 1, 2020 | 981 | 1,888 | 52 | 2,921 |
| Additions | 597 | 18 | 7 | 622 |
| Disposals | 9 | – | – | 9 |
| Transfers | 16 | – | –16 | – |
| As of December 31, 2020 | 1,585 | 1,906 | 43 | 3,534 |
| Amortization and write-downs | | | | |
| As of January 1, 2020 | 325 | 822 | – | 1,147 |
| Additions | 139 ² | 129 | – | 268 |
| Disposals | 8 | – | – | 8 |
| As of December 31, 2020 | 456 | 951 | – | 1,407 |
| Net carrying amount as of December 31, 2020 | 1,129 | 955 | 43 | 2,127 |
| Net carrying amount as of December 31, 2019 | 656 | 1,066 | 52 | 1,774 |

¹ Including licenses to such rights and values

² Of which €3 million in impairments

9 – Property, plant and equipment

Development 2020

Million €

| | Land, land rights and buildings ¹ | Machinery and technical equipment | Other facilities, factory and office equipment | Advance payments and construction in progress | Total |
|--|---|---|--|---|--------------|
| Cost | | | | | |
| As of January 1, 2020 | 3,196 | 13,639 | 1,827 | 833 | 19,495 |
| Additions | 28 | 136 | 62 | 425 | 651 |
| Disposals | 7 | 66 | 43 | 15 | 131 |
| Transfers | 54 | 208 | -18 | -244 | - |
| As of December 31, 2020 | 3,271 | 13,917 | 1,828 | 999 | 20,015 |
| Depreciation and write-downs | | | | | |
| As of January 1, 2020 | 2,443 | 11,293 | 1,494 | - | 15,230 |
| Additions | 106 | 1,086 | 92 | 87 | 1,371 |
| Disposals | 5 | 65 | 42 | - | 112 |
| Transfers | . | 43 | -43 | - | - |
| Reversals of impairments | - | - | - | - | - |
| As of December 31, 2020 | 2,544 | 12,357 | 1,501 | 87 | 16,489 |
| Net carrying amount as of December 31, 2020 | 727 | 1,560 | 327 | 912 | 3,526 |
| Net carrying amount as of December 31, 2019 | 753 | 2,346 | 333 | 833 | 4,265 |

¹ Including structures on third-party property

In the reporting year, impairments on property, plant and equipment in the amount of €787 million were recognized at the Ludwigshafen site in Germany. Of this amount, €74 million related to the Chemicals segment, €54 million to the Surface Technologies segment, €643 million to the Materials segment, and €16 million to the Nutrition & Care segment. €50 million was attributable to buildings, €648 million to technical facilities, €2 million to other facilities and €87 million to facilities under construction.

The impairments in the Chemicals, Materials and Surface Technologies segments mainly related to two plant complexes and resulted from negative developments in market prices, competition and demand, among other things.

These developments were exacerbated by the coronavirus pandemic. As a result, the change in the results of operations at the impaired plants is considered to be permanent. The expenses for impairments in fixed assets were calculated using the discounted earnings method.

The impairments on property, plant and equipment are presented under production costs (€693 million), selling expenses (€7 million) and other operating expenses (€87 million).

10 – Financial assets

Development 2020

Shareholdings

Million €

| | Shares in affiliated companies | Shares in other companies | Total shareholdings |
|--|--------------------------------|---------------------------|---------------------|
| Cost | | | |
| As of January 1, 2020 | 21,022 | 236 | 21,258 |
| Additions | 4,784 | 265 | 5,049 |
| Disposals | 5,112 | 1 | 5,113 |
| Transfers | – | – | – |
| As of December 31, 2020 | 20,694 | 500 | 21,194 |
| Depreciation and write-downs | | | |
| As of January 1, 2020 | 268 | 8 | 276 |
| Additions | 53 | 17 | 70 |
| Disposals | – | – | – |
| Transfers | – | – | – |
| Reversals of impairments | 23 | – | 23 |
| As of December 31, 2020 | 298 | 25 | 323 |
| Net carrying amount as of December 31, 2020 | 20,396 | 475 | 20,871 |
| Net carrying amount as of December 31, 2019 | 20,754 | 228 | 20,982 |

Development 2020

Loans and other financial assets

Million €

| | Loans to affiliated companies | Loans to other shareholdings | Miscellaneous loans and other financial assets | Total loans and other financial assets | Total financial assets |
|--|-------------------------------|------------------------------|--|--|------------------------|
| Cost | | | | | |
| As of January 1, 2020 | 153 | 45 | 80 | 278 | 21,536 |
| Additions | 1 | – | – | 1 | 5,050 |
| Disposals | 1 | 4 | – | 5 | 5,118 |
| Transfers | – | – | – | – | – |
| As of December 31, 2020 | 153 | 41 | 80 | 274 | 21,468 |
| Depreciation and write-downs | | | | | |
| As of January 1, 2020 | 71 | – | 6 | 77 | 353 |
| Additions | 7 | – | – | 7 | 77 |
| Disposals | – | – | – | – | – |
| Transfers | – | – | – | – | – |
| Reversals of impairments | – | – | 6 | 6 | 29 |
| As of December 31, 2020 | 78 | – | – | 78 | 401 |
| Net carrying amount as of December 31, 2020 | 75 | 41 | 80 | 196 | 21,067 |
| Net carrying amount as of December 31, 2019 | 82 | 45 | 74 | 201 | 21,183 |

11 – Inventories

Million €

| | 2020 | 2019 |
|--|--------------|--------------|
| Raw materials and factory supplies | 607 | 584 |
| Work in progress, finished goods and merchandise | 1,620 | 1,963 |
| Services in progress | 40 | 37 |
| Advance payments on inventories | 4 | 4 |
| | 2,271 | 2,588 |

Work in progress, finished goods and merchandise are combined into one item due to production conditions in the chemical industry. (previous year: €43 million), and €112 million for finished goods and merchandise (previous year: €148 million).

For inventories measured using the LIFO method, LIFO reserves (the difference between LIFO valuation and valuation at average cost or lower quoted or market prices) were €28 million for raw materials

12 – Receivables and other assets

Million €

| | 2020 | | 2019 | |
|--|---------------|--|---------------|--|
| | | Of which remaining term over 1 year | | Of which remaining term over 1 year |
| Accounts receivable, trade | 805 | . | 1,208 | . |
| Receivables from affiliated companies | 20,580 | 4 | 21,348 | 1 |
| of which from trade accounts receivable | 2,596 | – | 2,341 | – |
| Receivables from participating interests | 116 | 100 | 25 | – |
| Other assets | 449 | 68 | 426 | 73 |
| | 21,950 | 172 | 23,007 | 74 |

Valuation allowances on trade accounts receivable are recognized using customer-specific discount rates calculated by BASF, which are linked to a percentage rate for probability of default and country-specific risk. Valuation allowances of €3 million were calculated on the basis of these customer-specific discount rates in the reporting year (previous year: €4 million).

Receivables from affiliated companies declined, mainly due to the repayment of financial investments within the Group.

In 2020, accrued items totaled €37 million (previous year: €41 million).

13 – Liquid funds

In the reporting year, marketable securities declined by €200 million to €200 million. Cash on hand and credit institution balances rose by €1,499 million to €2,469 million.

14 – Prepaid expenses

| Million € | 2020 | 2019 |
|-----------|------------|------------|
| Discounts | 77 | 96 |
| Other | 113 | 110 |
| | 190 | 206 |

Discounts from the issuance of bonds (Note 19 – Liabilities: Financial indebtedness) are capitalized and amortized over the term of

the obligations. Other accruals and deferrals include prepayments related to ongoing business activities.

15 – Subscribed capital

Subscribed capital

The subscribed capital of BASF SE is €1,175,652,728.32 and is divided into 918,478,694 registered shares with no par value.

Announcements pursuant to section 33(1) of the German Securities Trading Act (WpHG)

As the parent company of the BlackRock group, BlackRock, Inc., Wilmington, Delaware, informed us on July 8, 2020, that its share of voting rights pursuant to section 33(1) WpHG amounted to 5.46% on July 3, 2020. All voting rights of the BlackRock group are accorded to BlackRock, Inc. in accordance with section 34(1) sentence 1 no. 1 WpHG.

Conditional capital

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new registered shares in BASF. The contingent capital increase serves to grant shares to the holders of convertible bonds or warrants attached to bonds with warrants issued by the company or a subsidiary up to May 11, 2022, in accordance with the applicable bond conditions on the

basis of the authorization of the Board of Executive Directors resolved by the Annual Shareholders' Meeting on May 12, 2017.

Authorized capital

The Annual Shareholders' Meeting of May 3, 2019, authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new shares in an amount up to €470 million against cash or noncash contributions until May 2, 2024. The Board of Executive Directors can, following the approval of the Supervisory Board, decide on the exclusion of shareholders' subscription rights for these new shares in certain predefined cases covered by the enabling resolution. To date, this option has not been exercised and no new shares have been issued.

16 – Retained earnings and retained profits

Million €

| Other retained earnings | 2020 |
|---|---------------|
| As of January 1, 2020 | 10,084 |
| Appropriated retained earnings (as per resolution of Annual Shareholders' Meeting 2020) | 868 |
| As of December 31, 2020 | 10,952 |
| Retained profits | |
| Net income | 3,946 |
| Profits carried forward | – |
| Transfer to / withdrawal from other retained earnings | – |
| As of December 31, 2020 | 3,946 |

Disclosures on amounts subject to dividend payout restrictions

The difference between acquisition costs and asset plans measured at fair value from pensions obligations resulted – after subtracting deferred tax liabilities – in €589 million subject to dividend payout restrictions.

The excess of deferred tax assets over deferred tax liabilities plus deferred tax liabilities from the measurement of plan assets at fair value amounted to €1,377 million.

A valuation of pension obligations based on the average market interest rate of the last 10 years and a valuation based on the average market interest rate of the last seven years results in a difference of €591 million, subject to dividend payout restrictions.

The amounts subject to dividend payout restrictions were €2,557 million; while freely available reserves amounted to €11,053 million. There is therefore no dividend payout restriction for retained profits.

Proposal for appropriation of profit

A dividend payout of €3.30 per qualifying share from the €3,945,862,069.00 in profit retained by BASF SE in the 2020 fiscal year will be proposed to the Annual Shareholders' Meeting on April 29, 2021. On the date the Financial Statements were finalized, the number of shares determined as eligible for dividend payout were 918,478,694. Upon acceptance of the payout proposal, total dividends will therefore be distributed in the amount of €3,030,979,690.20. The proposal will then be to put the remaining €914,882,378.80 in retained profits into retained earnings.

17 – Provisions for pensions and similar obligations

BASF SE employees are granted basic benefits by BASF Pensionskasse VVaG, a legally independent BASF pension fund that is financed from the return on its financial assets, from members' contributions and by the company. BASF SE will ensure the necessary contributions to adequately finance the benefits promised by BASF Pensionskasse VVaG. Occupational pension promises that exceed this are financed under a contractual trust arrangement by BASF Pensionstreuhand e.V.

BASF SE approved a 1.0% per year increase in pensions from BASF Pensionskasse VVaG.

The valuation of the pension obligations is based on the following assumptions:

In percent

| | 2020 | 2019 |
|--|-------------|-------------|
| Projected pension increase | 1.50 | 1.50 |
| Projected increase in wages and salaries | 2.50 | 2.75 |
| Interest rate (section 253(2) sent. 2 HGB) | 2.30 | 2.71 |

Amounts offset in the balance sheet as of December 31 of the respective year:

| Million € | 2020 | 2019 |
|--|------------|------------|
| Fair value of pension plan assets | 6,400 | 6,003 |
| Pension obligations with plan assets | 6,074 | 5,797 |
| Net total: Excess of plan assets over obligations | 326 | 206 |
| Historical acquisition costs for pension plan assets | 5,724 | 5,257 |

Income and expenses from plan assets are offset with expenses from unwinding the discount on corresponding obligations in the interest result. Amounts offset in the interest result are as follows:

| Million € | 2020 | 2019 |
|--------------------------------------|-------------|------------|
| Income from pension plan assets | 131 | 692 |
| Expenses from pension plan assets | 57 | 10 |
| Expenses from unwinding the discount | 458 | 512 |
| Net interest result | -384 | 170 |

As of December 31, 2020, pension obligations excluding plan assets amounted to €64 million.

18 – Other provisions

| Million € | 2020 | | 2019 | |
|--|--------------|------------------|--------------|------------------|
| | | Of which current | | Of which current |
| Environmental protection and remediation costs | 220 | 35 | 204 | 39 |
| Employee obligations | 699 | 541 | 878 | 733 |
| Sales and purchase risks | 82 | 82 | 50 | 50 |
| Maintenance and repair | 22 | 22 | 16 | 16 |
| Other | 350 | 143 | 325 | 143 |
| | 1,373 | 823 | 1,473 | 981 |

In the reporting year, provisions in the amount of €33 million were reversed in the income statement and reported under other operating income (previous year: €54 million).

The item other primarily consists of provisions for interest on income taxes, outstanding invoices and onerous contracts. Obligations of €808 million from working-time accounts were offset by assets in the form of claims against an insurance company in the same

amount. The interest result contains income of €14 million from working-time accounts, offset by expenses also amounting to €14 million.

19 – Liabilities

Financial indebtedness

| Million € | 2020 | 2019 |
|--|---------------|---------------|
| Commercial paper | 1,333 | 872 |
| Variable-rate EUR bond 2013/2020 | – | 300 |
| 1.875% EUR bond 2013/2021 | 1,000 | 1,000 |
| 2.5% USD bond 2017/2022 | 472 | 472 |
| 1.375% GBP bond 2018/2022 | 283 | 283 |
| 2% EUR bond 2012/2022 | 1,250 | 1,250 |
| 0.925% USD bond 2017/2023 | 782 | 782 |
| 0.101% EUR bond 2020/2023 | 1,000 | – |
| 0.875% GBP bond 2016/2023 | 291 | 291 |
| 2.5% EUR bond 2014/2024 | 500 | 500 |
| 1.75% GBP bond 2017/2025 | 353 | 353 |
| 0.875% EUR bond 2018/2025 | 750 | 750 |
| 3.675% NOK bond 2013/2025 | 189 | 189 |
| 0.25% EUR bond 2020/2027 | 1,000 | – |
| 0.25% EUR bond 2017/2027 | 1,000 | 1,000 |
| 2.67% NOK bond 2017/2029 | 177 | 177 |
| 0.875% EUR bond 2019/2029 | 250 | 250 |
| 1.5% EUR bond 2018/2030 | 500 | 500 |
| 1.5% EUR bond 2016/2031 | 200 | 200 |
| 0.875% EUR bond 2016/2031 | 500 | 500 |
| 2.37% HKD bond 2016/2031 | 153 | 153 |
| 1.45% EUR bond 2017/2032 | 300 | 300 |
| 3% EUR bond 2013/2033 | 500 | 500 |
| 2.875% EUR bond 2013/2033 | 200 | 200 |
| 4.0% AUD bond 2018/2033 | 101 | 101 |
| 1.625% EUR bond 2017/2037 | 750 | 750 |
| 3.25% EUR bond 2013/2043 | 200 | 200 |
| 1.025% JPY bond 2018/2048 | 77 | 77 |
| 3.89% U.S. private placement series A 2013/2025 | 184 | 184 |
| 4.09% U.S. private placement series B 2013/2028 | 515 | 515 |
| 4.43% U.S. private placement series C 2013/2034 | 221 | 221 |
| Bonds and other liabilities to the capital market | 15,031 | 12,870 |
| Liabilities to credit institutions | 2,557 | 1,862 |
| | 17,588 | 14,732 |

Liabilities to affiliated companies

| Million € | 2020 | 2019 |
|---------------------------|---------------|---------------|
| Accounts payable, trade | 1,627 | 1,594 |
| Miscellaneous liabilities | 13,004 | 16,689 |
| | 14,631 | 18,283 |

Other liabilities

| Million € | 2020 | 2019 |
|--|------------|------------|
| Advances received on orders | 9 | 17 |
| Liabilities to participating interests | 52 | 58 |
| Miscellaneous liabilities | 711 | 638 |
| of which from taxes | 55 | 55 |
| of which related to social security | . | 3 |
| | 772 | 713 |

Maturities of liabilities

| | 2020 | | | 2019 | | |
|--|------------------|--------------|-------------------|------------------|--------------|-------------------|
| | Less than 1 year | 1–5 years | More than 5 years | Less than 1 year | 1–5 years | More than 5 years |
| Financial indebtedness | 2,553 | 7,362 | 7,673 | 1,319 | 5,428 | 7,985 |
| Accounts payable, trade | 1,016 | 8 | . | 940 | 14 | 1 |
| Liabilities to affiliated companies | 14,625 | 6 | – | 18,281 | 2 | – |
| Advances received on orders | 9 | – | – | 17 | – | – |
| Liabilities to participating interests | 52 | – | – | 58 | – | – |
| Miscellaneous liabilities | 633 | 78 | – | 557 | 80 | 1 |
| | 18,888 | 7,454 | 7,673 | 21,172 | 5,524 | 7,987 |

20 – Shares in investment assets

As of December 31, 2020, the following shares in excess of 10% were held in special assets within the meaning of section 1(10) of the German Capital Investment Code (KAGB) or in comparable foreign investment assets:

| Million € | Fair value / carrying amount as of December 31, 2020 | Dividend payment 2020 | Returnable daily |
|--------------------|--|-----------------------|------------------|
| Fixed income funds | 2,813 | 117 | yes |
| Equity funds | 703 | 27 | yes |
| Mixed funds | 1,596 | – | yes |

The shares serve as plan assets for obligations from pensions.

21 – Contingent liabilities and other financial obligations

The following contingent and other liabilities are shown at nominal value.

Contingent liabilities

| Million € | 2020 | 2019 |
|----------------------------------|--------------|--------------|
| Bills of exchange | 2 | 6 |
| of which to affiliated companies | – | – |
| Guarantees | 1,348 | 2,742 |
| of which to affiliated companies | 1,343 | 2,742 |
| Warranties | 230 | 728 |
| of which to affiliated companies | 198 | 711 |
| | 1,580 | 3,476 |

Contingent liabilities mainly relate to guarantees for bonds issued by BASF Finance Europe N.V., based in Arnhem, Netherlands, for the purpose of corporate financing. Contingent liabilities are entered into only after careful consideration of risks and only in connection with the business activities of BASF SE or its affiliated companies. The risk of claims against contingent liabilities was assessed as low on the basis of the existing knowledge about the net assets, financial position and results of operations of the subsidiaries. Reasonably concrete risks at the time the balance sheet was prepared were recognized through corresponding provisions in the balance sheet.

BASF SE provides a guarantee to Abu Dhabi National Oil Company covering all obligations of Wintershall Dea Middle East GmbH related to the Ghasha concession in the United Arab Emirates. Furthermore, BASF SE assumed guarantees to the Danish Energy Agency covering all obligations of Wintershall Dea International GmbH and Wintershall Noordzee B.V. related to licenses for exploration and production of hydrocarbons in the Danish concession area. The guarantees do not stipulate a maximum amount. The risk of a claim being exercised against the guarantees was classified as low.

Other financial obligations

| Million € | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| Other financial obligations | 1,658 | 1,193 |
| of which relating to pension benefits | 748 | 198 |
| of which to affiliated companies | 66 | 17 |

Long-term purchase obligations

| Million € | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| Long-term purchase obligations | 3,710 | 3,577 |
| of which to affiliated companies | – | – |

Long-term purchase obligations especially pertain to raw materials. BASF SE purchases raw materials worldwide through long-term contracts and on spot markets.

22 – Related party transactions

BASF SE has granted profit participation capital to BASF Pensionskasse VVaG since the 2010 fiscal year. As of December 31, 2020, profit participation capital reported under loans amounted to €80 million.

23 – Derivative instruments

Use of derivative instruments

BASF SE is exposed to foreign currency, interest rate, share price and commodity price risks in the course of its business. These risks are hedged through a centrally determined strategy employing derivative instruments. Hedging is only employed for underlying transactions from the operating business, cash investments and financing as well as for planned sales and purchases.

Where derivatives have a positive market value, BASF SE is exposed to credit risks in the event of nonperformance of the contractual partner. This credit risk for positive market values is minimized by trading contracts exclusively with creditworthy banks and partners within predefined credit limits and by the use of collateral.

To ensure efficient risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes are conducted according to internal guidelines, and are subject to strict control mechanisms.

The risks arising from the underlying transactions and the derivative transactions concluded to hedge them are monitored constantly. The same is true of the derivative instruments used for hedging purposes. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

Fair value and nominal value of derivative financial instruments

Million €

| | Fair value | | Nominal value | |
|--|-------------|-----------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Foreign currency forward contracts | -34 | . | 7,805 | 9,219 |
| Foreign currency option contracts | 34 | 18 | 1,449 | 733 |
| Interest rate swaps | - | -4 | - | 300 |
| Combined interest and cross-currency swaps | -170 | 43 | 4,352 | 4,352 |
| Stock options | - | - | 1,613 | 1,613 |
| Commodity derivatives | 3 | . | 12 | 7 |
| | -167 | 57 | 15,231 | 16,224 |

The fair values correspond to the difference between the cost and redemption value, which is determined from market quotations or by the use of options pricing models such as the Black-Scholes model. They are based on the exchange rates published by the European Central Bank and the applicable market interest rates and volatilities based on the remaining term to maturity. In the case of unlisted contracts, fair value corresponds to the redemption value in the event of premature cancellation. The nominal values are the totals of

the purchases and sales of the particular derivatives on a gross basis.

Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar. Commodity derivatives are used to hedge purchase and sales market price risks.

Acquisition costs of €66 million for derivatives were capitalized in other assets. Provisions amounting to €23 million were recognized for expected losses from currency fluctuations. Losses of €75 million were recognized as liabilities under miscellaneous liabilities.

the net hedge presentation method. The retrospective and prospective effectiveness was determined using the critical terms match method; no material ineffectiveness was found.

To hedge risks from cash flow and changes in fair value for certain underlying positions in and off the balance sheet, these are combined with hedging transactions as micro hedges, as they have similar significant risk parameters. Portfolio hedges are used to hedge planned sales in U.S. dollars. Accounting treatment follows

Valuation units

Million €

| Underlying transactions 2020 | Hedging transactions 2020 | Nominal value | Positive fair value | Negative fair value |
|-------------------------------------|--|---------------|---------------------|---------------------|
| Balance sheet item | Type of hedging transaction | | | |
| Hedged assets | Derivatives to hedge assets | 57 | . | - |
| Loans to affiliated companies | Foreign currency forward contracts | 41 | . | - |
| Loans to other shareholdings | Foreign currency forward contracts | 16 | . | - |
| Hedged liabilities | Derivatives to hedge liabilities | 5,501 | 96 | -321 |
| Liabilities to affiliated companies | Hedging transactions for liabilities to affiliated companies | | | |
| - In foreign currencies | - Foreign currency forward contracts | 153 | . | -9 |
| Financial indebtedness | Hedging transactions for financial indebtedness | | | |
| - Commercial paper | - Foreign currency forward contracts | 1,335 | - | -46 |
| - Foreign currency bonds | - Combined interest and cross-currency swaps | 3,798 | 91 | -266 |
| - Foreign currency loans | - Combined interest and cross-currency swaps | 215 | 5 | - |
| Planned transactions | Type of hedging transaction | 835 | 34 | . |
| Future sales and purchases | Foreign currency option contracts | 835 | 34 | . |
| Derivatives | Type of hedging transaction | 1,938 | 12 | -5 |
| Foreign currency forward contracts | Foreign currency forward contracts | 656 | 2 | -5 |
| Foreign currency option contracts | Foreign currency option contracts | 307 | 1 | - |
| Stock options | Stock options | 806 | 2 | - |
| Interest and cross-currency swaps | Interest and cross-currency swaps | 169 | 7 | - |

The receivables and liabilities hedged with foreign currency forward contracts are due within one year. The term of the currency option contracts for hedging highly probable future sales in U.S. dollars is less than one year. Financial indebtedness in foreign currencies was hedged using combined interest and cross-currency swaps. These have a maximum term of 28 years. The stock options mature in 2023.

Foreign currency forward contracts and foreign currency option contracts concluded with subsidiaries that are also inversely concluded with external contractual partners generally have a term of less than one year.

24 – Services provided by the external auditor

The services provided by KPMG AG Wirtschaftsprüfungsgesellschaft to BASF SE mainly include services for the annual audit, and to a lesser extent, confirmation services, tax consultation services and other services. These can be found in Note 32 to the Consolidated Financial Statements of the BASF Group.

25 – Events after the reporting period

There have been no significant changes in the company's situation or market environment since the beginning of the 2021 fiscal year.

26 – BASF SE list of shares held 2020 pursuant to section 285 no. 11, 11a and 11b of the German Commercial Code

The earnings of companies acquired in 2020 are reported as of the date of acquisition. The list of shares held contains all of BASF SE's direct and indirect shareholdings as well as affiliated companies accounted for in the Consolidated Financial Statements. In the Separate Financial Statements of BASF SE, financial assets only include direct shareholdings. Information on the values of equity and earnings after taxes generally refer to IFRS values.

I. Companies included in the Consolidated Financial Statements on a full or proportional basis, or accounted for using the equity method

Fully consolidated subsidiaries

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--|----------------------|----------------------------|----------------------|--------------------|----------------------|---------------------|
| Germany | | | | | | |
| BASF Agricultural Solutions GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 14.4 | ¹ | EUR |
| BASF Agro Trademarks GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 13.3 | ¹ | EUR |
| BASF Akquisitions GmbH | Ludwigshafen (Rhein) | 100.00 | 100.00 | 431.3 | ¹ | EUR |
| BASF Battery Technology Investment GmbH & Co. KG | Ludwigshafen (Rhein) | 100.00 | 0.00 | 2.4 | 1.1 | EUR |
| BASF Beteiligungsgesellschaft mbH | Ludwigshafen (Rhein) | 100.00 | 100.00 | 291.2 | ¹ | EUR |
| BASF Catalysts Germany GmbH | Hannover | 100.00 | 0.00 | 292.7 | ¹ | EUR |
| BASF Coatings GmbH | Münster | 100.00 | 10.00 | 118.7 | ¹ | EUR |
| BASF Color Solutions Germany GmbH | Cologne | 100.00 | 0.00 | -1.3 | -2.9 | EUR |
| BASF Colors & Effects GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 38.6 | -26.9 | EUR |
| BASF Construction Additives GmbH | Trostberg | 100.00 | 0.00 | -119.5 | ¹ | EUR |
| BASF Digital Solutions GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | -76.1 ² | ¹ | EUR |
| BASF Finance Malta GmbH | Monheim | 100.00 | 100.00 | 0.0 | -0.6 | EUR |
| BASF Grenzach GmbH | Grenzach-Wyhlen | 100.00 | 0.00 | -0.0 | ¹ | EUR |
| BASF Handels- und Exportgesellschaft mbH | Ludwigshafen (Rhein) | 100.00 | 100.00 | 3,554.8 | ¹ | EUR |
| BASF IP Licensing GmbH | Monheim | 100.00 | 0.00 | 127.9 | 125.4 | EUR |
| BASF Isocyanate China Investment GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 0.0 | ¹ | EUR |
| BASF Lampertheim GmbH | Lampertheim | 100.00 | 0.00 | 112.5 | ¹ | EUR |
| BASF Leuna GmbH | Leuna | 100.00 | 0.00 | 18.2 | ¹ | EUR |
| BASF Ludwigshafen Grundbesitz SE & Co. KG | Ludwigshafen (Rhein) | 100.00 | 99.99 | 26.5 | 17.0 | EUR |
| BASF New Business GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 62.2 | ¹ | EUR |
| BASF Niedersächsische Grundbesitz GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | -0.2 | ¹ | EUR |
| BASF Performance Polymers GmbH | Rudolstadt | 100.00 | 0.00 | 42.1 | ¹ | EUR |
| BASF Personal Care and Nutrition GmbH | Monheim | 100.00 | 0.00 | 118.3 | ¹ | EUR |
| BASF Pigment GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | -9.1 | -1.3 | EUR |
| BASF Plant Science Company GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 206.3 | ¹ | EUR |
| BASF Plant Science GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 3.1 | ¹ | EUR |
| BASF Polyurethanes GmbH | Lemförde | 100.00 | 10.00 | 39.2 | ¹ | EUR |
| BASF Schwarzheide GmbH | Schwarzheide | 100.00 | 10.00 | 238.4 | ¹ | EUR |
| BASF Services Europe GmbH | Berlin | 100.00 | 0.00 | -1.7 ² | ¹ | EUR |
| BASF Trostberger Grundbesitz GmbH | Ludwigshafen (Rhein) | 100.00 | 6.00 | 19.8 | ¹ | EUR |
| BASF US Verwaltung GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 100.0 | ¹ | USD |
| BASF Wohnen + Bauen GmbH | Ludwigshafen (Rhein) | 100.00 | 10.00 | 148.1 | ¹ | EUR |
| BTC Europe GmbH | Monheim | 100.00 | 0.00 | -0.1 | ¹ | EUR |
| Chemetall GmbH | Frankfurt (Main) | 100.00 | 0.00 | 221.5 | ¹ | EUR |
| Cognis Holding GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 261.6 | ¹ | EUR |

¹ Profit and loss transfer agreement

² Equity, as defined by German commercial law, is positive.

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--|---------------------------------|----------------------------|----------------------|---------------------|----------------------|---------------------|
| Cognis International GmbH | Monheim | 100.00 | 0.00 | 470.8 | ¹ | EUR |
| Cognis IP Management GmbH | Monheim | 100.00 | 0.00 | 323.5 | -1.7 | EUR |
| Grünau Illertissen GmbH | Illertissen | 100.00 | 0.00 | 45.5 | ¹ | EUR |
| Guano-Werke GmbH & Co. KG | Ludwigshafen (Rhein) | 100.00 | 0.00 | 15.8 | -0.2 | EUR |
| hte GmbH the high throughput experimentation company | Heidelberg | 100.00 | 0.00 | 34.6 | ¹ | EUR |
| Nunhems Germany GmbH | Marbach | 100.00 | 0.00 | 12.9 | ¹ | EUR |
| Performance Polyamides GmbH | Freiburg | 100.00 | 0.00 | 2.4 | -0.7 | EUR |
| Rockwood Specialties Group GmbH | Frankfurt (Main) | 100.00 | 0.00 | -163.5 ² | -1.9 | EUR |
| trinamiX GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 | 0.0 | ¹ | EUR |
| Rest of Europe | | | | | | |
| BASF A/S | Copenhagen (Denmark) | 100.00 | 100.00 | 1,094.7 | 195.0 | DKK |
| BASF AB | Gothenburg (Sweden) | 100.00 | 100.00 | 157.3 | 0.8 | SEK |
| BASF Agricultural Specialities Limited | Stockport (United Kingdom) | 100.00 | 0.00 | 46.6 | 5.2 | GBP |
| BASF Agri-Production S.A.S. | Écully (France) | 100.00 | 0.00 | 83.0 | 9.9 | EUR |
| BASF Agro B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 2,301.0 | 38.7 | EUR |
| BASF Agrochemical Products B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 515.5 | 98.8 | USD |
| BASF Antwerpen N.V. | Antwerp (Belgium) | 100.00 | 0.00 | 8,861.9 | 435.5 | EUR |
| BASF AS | Oslo (Norway) | 100.00 | 100.00 | 2,732.3 | 42.8 | NOK |
| BASF Battery Integration B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 7.8 | -0.0 | EUR |
| BASF Battery Materials Finland Oy | Helsinki (Finland) | 100.00 | 0.00 | 9.6 | -0.7 | EUR |
| BASF Battery Materials Holding B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 11.9 | -0.0 | EUR |
| BASF Beauty Care Solutions France S.A.S. | Lyon (France) | 100.00 | 0.00 | 83.9 | 5.0 | EUR |
| BASF Belgium Coordination Center Comm. V. | Antwerp (Belgium) | 100.00 | 0.00 | 8,925.9 | 6.8 | EUR |
| BASF Catalysts Asia B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 331.4 | 17.5 | EUR |
| BASF Catalysts Canada B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 0.3 | -0.0 | EUR |
| BASF Catalysts UK Holdings Limited | London (United Kingdom) | 100.00 | 0.00 | 27.3 | 27.2 | GBP |
| BASF Colors & Effects Netherlands B.V. | Maastricht (Netherlands) | 100.00 | 0.00 | 27.2 | -0.5 | EUR |
| BASF Colors & Effects Switzerland AG | Basel (Switzerland) | 100.00 | 0.00 | 54.6 | 13.3 | CHF |
| BASF Construction Chemicals Europe AG | Kaisten (Switzerland) | 100.00 | 0.00 | 28.3 | -0.1 | CHF |
| BASF Espanola S.L. | Barcelona (Spain) | 100.00 | 100.00 | 809.4 | 39.3 | EUR |
| BASF Finance Europe N.V. | Arnhem (Netherlands) | 100.00 | 100.00 | 8.6 | -0.0 | EUR |
| BASF France S.A.S. | Levallois-Perret Cedex (France) | 100.00 | 100.00 | 717.6 | -11.1 | EUR |
| BASF Health and Care Products France S.A.S. | Levallois-Perret Cedex (France) | 100.00 | 0.00 | 24.0 | -1.5 | EUR |
| BASF Hellas Single Member S.A. | Marousi (Greece) | 100.00 | 100.00 | 12.5 | 2.4 | EUR |
| BASF Hungária Kft. | Budapest (Hungary) | 100.00 | 100.00 | 5,340.7 | 836.9 | HUF |
| BASF Intertrade AG | Zug (Switzerland) | 100.00 | 100.00 | 102.4 | 44.5 | USD |
| BASF IP Management C.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 34.7 | 3.4 | EUR |
| BASF Ireland Ltd. | Dublin (Ireland) | 100.00 | 0.00 | 13,403.9 | 62.9 | EUR |
| BASF Italia S.p.A. | Cesano Maderno (Italy) | 100.00 | 100.00 | 670.5 | 44.1 | EUR |
| BASF Metal Forwards Ltd. | London (United Kingdom) | 100.00 | 0.00 | 54.2 | -0.2 | USD |
| BASF Metals GmbH | Zug (Switzerland) | 100.00 | 0.00 | 44.5 | -0.1 | USD |
| BASF Metals Ltd. | London (United Kingdom) | 100.00 | 0.00 | 130.9 | 60.4 | USD |
| BASF Metals Recycling Ltd. | Cinderford (United Kingdom) | 100.00 | 0.00 | -1.2 | 4.5 | GBP |
| BASF Nederland B.V. | Arnhem (Netherlands) | 100.00 | 100.00 | 12,747.0 | 823.1 | EUR |
| BASF Operations B.V. | Arnhem (Netherlands) | 100.00 | 0.00 | 21.4 | 29.1 | EUR |

¹ Profit and loss transfer agreement

² Equity, as defined by German commercial law, is positive.

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|---|------------------------------|----------------------------|----------------------|------------------|----------------------|---------------------|
| BASF Österreich GmbH | Vienna (Austria) | 100.00 | 1.00 | 41.4 | 5.7 | EUR |
| BASF Oy | Helsinki (Finland) | 100.00 | 100.00 | 44.3 | 2.1 | EUR |
| BASF Performance Products France S.A.S. | Huningue (France) | 100.00 | 0.00 | 81.4 | 9.2 | EUR |
| BASF Performance Products Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 | 0.0 | 0.0 | GBP |
| BASF Pharma (Callanish) Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 | -30.9 | -0.7 | GBP |
| BASF Pharma Belgium N.V. | Antwerp (Belgium) | 100.00 | 0.00 | 11.1 | -0.3 | EUR |
| BASF plc | Stockport (United Kingdom) | 100.00 | 0.00 | 61.6 | 20.2 | GBP |
| BASF Polska Sp. z o.o. | Warsaw (Poland) | 100.00 | 100.00 | 197.5 | -328.6 | PLN |
| BASF Portuguesa, S.A. | Prior Velho (Portugal) | 100.00 | 0.00 | 8.1 | 1.8 | EUR |
| BASF Schweiz AG | Basel (Switzerland) | 100.00 | 0.00 | 630.8 | 19.5 | CHF |
| BASF Slovensko spol s.r.o. | Bratislava (Slovakia) | 100.00 | 100.00 | 19.0 | 4.0 | EUR |
| BASF spol s.r.o. | Prague (Czech Republic) | 100.00 | 100.00 | 169.9 | 51.4 | CZK |
| BASF S.R.L. | Bucharest (Romania) | 100.00 | 100.00 | 116.6 | 17.2 | RON |
| BASF T.O.V. LLC | Kyiv (Ukraine) | 100.00 | 0.00 | 1,021.9 | -366.2 | UAH |
| BASF Taiwan B.V. | Amheim (Netherlands) | 100.00 | 0.00 | 130.0 | 36.7 | EUR |
| BASF Tuerk Kimya Sanayi ve Ticaret Ltd. Sti. | Istanbul (Turkey) | 100.00 | 0.00 | 590.2 | 134.3 | TRY |
| BASF UK Holdings Ltd. | Stockport (United Kingdom) | 100.00 | 100.00 | 30.8 | 40.0 | GBP |
| Becker Underwood (UK) Limited | Stockport (United Kingdom) | 100.00 | 0.00 | 74.0 | 9.3 | GBP |
| BU International Holding Company Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 | 63.1 | 0.0 | GBP |
| Chemetall AB | Hisingen Backa (Sweden) | 100.00 | 0.00 | 107.3 | 7.9 | SEK |
| Chemetall B.V. | Oss (Netherlands) | 100.00 | 0.00 | 20.8 | 9.4 | EUR |
| Chemetall Hungária Vegyiparianyagok Forgalmazó Korlátolt Felelősségű Társaság | Budapest (Hungary) | 100.00 | 0.00 | 1,146.0 | 332.7 | HUF |
| Chemetall India Company Ltd. | Bletchley (United Kingdom) | 100.00 | 0.00 | 1.5 | 0.7 | GBP |
| Chemetall Italia S.r.l. | Giussano (Italy) | 100.00 | 0.00 | 37.9 | -78.9 | EUR |
| Chemetall Ltd. | Bletchley (United Kingdom) | 100.00 | 0.00 | 110.8 | 0.1 | GBP |
| Chemetall Polska Sp. z o.o. | Warsaw (Poland) | 100.00 | 0.00 | 51.7 | 18.2 | PLN |
| Chemetall S.A. Unipersonal | Canovelles (Spain) | 100.00 | 0.00 | 51.0 | -52.9 | EUR |
| Chemetall S.A.S. | Gennevilliers (France) | 100.00 | 0.00 | 222.1 | -37.9 | EUR |
| Chemetall S.R.L. | Giussano (Italy) | 100.00 | 0.00 | -12.5 | -0.1 | EUR |
| Chemetall Sanayi Kimyasallari Ticaret ve Sanayi A.S. | Kocaeli (Turkey) | 100.00 | 0.00 | 254.4 | 44.8 | TRY |
| Ciba Specialty Chemicals Water Treatments Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 | 0.0 | -0.0 | GBP |
| Ciba UK Investment Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 | 0.1 | 0.0 | GBP |
| Cognis B.V. | Amheim (Netherlands) | 100.00 | 0.00 | 878.8 | 4.8 | EUR |
| Dom v Kadashah LLC | Moscow (Russian Federation) | 100.00 | 0.01 | 417.5 | 1,406.6 | RUB |
| Esuco Beheer B.V. | Amheim (Netherlands) | 100.00 | 0.00 | 0.1 | 0.0 | EUR |
| Isobionics B.V. | Geleen (Netherlands) | 100.00 | 0.00 | 42.6 | -3.6 | EUR |
| KENDELL S.r.l. | Roveredo in Piano (Italy) | 100.00 | 0.00 | 0.6 | 0.0 | EUR |
| Knight Chimiques de Spécialité S.A.S. | Gennevilliers (France) | 100.00 | 0.00 | 9.9 | -0.0 | EUR |
| MicroBio Canada Limited | Stockport (United Kingdom) | 100.00 | 0.00 | 29.3 | 0.0 | GBP |
| Nunhems B.V. | Nunhem (Netherlands) | 100.00 | 0.00 | 197.9 | -5.2 | EUR |
| Nunhems France S.A.S. | Beaucouzé Cedex (France) | 100.00 | 0.00 | 3.7 | 0.8 | EUR |
| Nunhems Hungary Kft | Budapest (Hungary) | 100.00 | 0.00 | 583.8 | -7.3 | HUF |
| Nunhems Italy S.r.l. | Sant'Agata Bolognese (Italy) | 100.00 | 0.00 | 16.4 | 1.2 | EUR |
| Nunhems Netherlands B.V. | Nunhem (Netherlands) | 100.00 | 0.00 | 743.9 | -85.2 | EUR |
| Nunhems Poland Sp. z o.o. | Warsaw (Poland) | 100.00 | 0.00 | 5.5 | 0.2 | PLN |
| Nunhems Spain S.A. | Paterna (Spain) | 100.00 | 0.00 | 21.6 | 4.4 | EUR |
| Nunhems Tohumculuk AS | Antalya (Turkey) | 100.00 | 0.00 | 155.3 | 34.5 | TRY |

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|---|--|----------------------------|----------------------|------------------|----------------------|---------------------|
| Nunhems UK Ltd | Stockport (United Kingdom) | 100.00 | 0.00 | 0.9 | 0.6 | GBP |
| NUNHEMS UKRAINE T.O.V. | Kyiv (Ukraine) | 100.00 | 0.00 | 78.8 | 8.3 | UAH |
| OOO BASF | Moscow (Russian Federation) | 100.00 | 0.01 | 6,657.7 | 2,952.7 | RUB |
| OOO BASF Wostok | Pawlofski Possad (Russian Federation) | 100.00 | 0.00 | 1,025.6 | 398.7 | RUB |
| OOO BASF Yug | Moscow (Russian Federation) | 100.00 | 0.00 | 12.6 | 21.2 | RUB |
| OOO Chemetall | Moscow (Russian Federation) | 100.00 | 0.00 | 392.5 | 8.8 | RUB |
| Performance Polyamides S.A.S. | Lyon (France) | 100.00 | 0.00 | 593.1 | 9.3 | EUR |
| Rolic Technologies Ltd. | Allschwil (Switzerland) | 100.00 | 0.00 | 63.2 | -5.3 | CHF |
| Société Foncière et Industrielle S.A.S. | Clermont de l'Oise (France) | 92.90 | 0.00 | 9.2 | 0.2 | EUR |
| North America | | | | | | |
| BASF Agricultural Solutions Puerto Rico LLC | San Juan (Puerto Rico) | 100.00 | 0.00 | 16.7 | 0.2 | USD |
| BASF Agricultural Solutions Seed US LLC | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 3,054.6 | 4.8 | USD |
| BASF Agricultural Specialties Ltd. | Saskatoon, Saskatchewan (Canada) | 100.00 | 0.00 | 59.4 | 10.3 | CAD |
| BASF California Inc. | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 369.3 | 21.2 | USD |
| BASF Canada Inc. | Mississauga, Ontario (Canada) | 100.00 | 100.00 | 573.2 | 93.5 | CAD |
| BASF Catalysts Holding China LLC | Florham Park, New Jersey (USA) | 96.25 | 0.00 | -0.6 | -0.5 | USD |
| BASF Catalysts Holding LLC | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 727.1 | 21.4 | USD |
| BASF Catalysts LLC | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 24.9 | 18.9 | USD |
| BASF Colors & Effects USA LLC | Wilmington, Delaware (USA) | 100.00 | 0.00 | 651.3 | -10.9 | USD |
| BASF Corporation | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 10,087.0 | 302.0 | USD |
| BASF de Costa Rica, S.A. | San Jose (Costa Rica) | 100.00 | 0.00 | 24.5 | 1.4 | USD |
| BASF de Mexico, S.A. de C.V. | Mexico City (Mexico) | 100.00 | 99.99 | 191.7 | 101.2 | USD |
| BASF Enzymes LLC | San Diego, California (USA) | 100.00 | 0.00 | -74.5 | -62.3 | USD |
| BASF Intertrade Corporation | Houston, Texas (USA) | 100.00 | 0.00 | 27.7 | 6.0 | USD |
| BASF Investments Canada Inc. | New Westminster, British Columbia (Canada) | 100.00 | 0.00 | 427.6 | 5.2 | USD |
| BASF Mexicana, S.A. de C.V. | Mexico City (Mexico) | 100.00 | 0.00 | 450.2 | 25.4 | USD |
| BASF Performance Polyamides LLC | Florham Park, New Jersey (USA) | 100.00 | 0.00 | -0.3 | -0.3 | USD |
| BASF Performance Polyamides, S. de R.L. de C.V. | Mexico City (Mexico) | 100.00 | 0.07 | 74.8 | 1.9 | MXN |
| BASF Pipeline Holdings LLC | Houston, Texas (USA) | 100.00 | 0.00 | 17.1 | 1.0 | USD |
| BASF Plant Science LP | Raleigh, North Carolina (USA) | 100.00 | 0.00 | 144.8 | 8.3 | USD |
| BASF POLYMERS MEXICO S. De R.L. De C.V. | Mexico City (Mexico) | 100.00 | 0.01 | 57.1 | -31.1 | MXN |
| BASF Qtech Inc. | Mississauga, Ontario (Canada) | 100.00 | 0.00 | -21.1 | -2.3 | CAD |
| BASF TODA America LLC | Iselin, New York (USA) | 88.69 | 0.00 | 57.5 | -30.5 | USD |
| BASF TOTAL Petrochemicals LLC | Port Arthur, Texas (USA) | 60.00 | 0.00 | 786.6 | 44.1 | USD |
| BASF UK Finance LLC | Wilmington, Delaware (USA) | 100.00 | 0.00 | 4,884.1 | 224.8 | USD |
| BASF USA Holding LLC | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 4,658.0 | 0.0 | USD |
| Becker Underwood UK Inc. | Ames, Iowa (USA) | 100.00 | 0.00 | 159.4 | 0.0 | USD |
| Chemetall Canada Limited | Mississauga, Ontario (Canada) | 100.00 | 0.00 | 13.1 | 0.1 | CAD |
| Chemetall Mexicana, S.A. de C.V. | El Marques (Mexico) | 100.00 | 0.00 | 51.4 | -41.8 | MXN |
| Chemetall U.S., Inc. | New Providence, New Jersey (USA) | 100.00 | 0.00 | 658.5 | -125.2 | USD |
| Cognis USA LLC | Cincinnati, Ohio (USA) | 100.00 | 0.00 | 864.7 | 45.0 | USD |
| Engelhard Asia-Pacific LLC | Wilmington, Delaware (USA) | 100.00 | 0.00 | 132.4 | 0.9 | USD |
| Lumerica Insurance Company | Burlington, Vermont (USA) | 100.00 | 0.00 | 312.8 | 15.1 | USD |
| Nunhems México, S.A. de C.V. | Leon Guanajuato (Mexico) | 100.00 | 0.00 | 283.7 | 25.9 | MXN |
| Nunhems USA Inc. | Parma, Ohio (USA) | 100.00 | 0.00 | 102.9 | -13.2 | USD |

³ Administrative headquarters in Stockport, Cheshire (United Kingdom)

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--|--------------------------------|----------------------------|----------------------|------------------|----------------------|---------------------|
| ProCat Testing Holdings Inc. | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 11.7 | 0.0 | USD |
| ProCat Testing LLC | Wixom, Michigan (USA) | 100.00 | 0.00 | 23.4 | -0.1 | USD |
| TRADEWINDS Chemicals Corporation | Florham Park, New Jersey (USA) | 100.00 | 0.00 | 22.1 | 112.0 | USD |
| ZedX, Inc. | Bellefonte, Pennsylvania (USA) | 100.00 | 0.00 | 5.9 | -2.7 | USD |
| Asia Pacific | | | | | | |
| BASF Advanced Chemicals Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 3,628.6 | 408.8 | CNY |
| BASF Asia-Pacific Service Centre Sdn. Bhd. | Kuala Lumpur (Malaysia) | 100.00 | 0.00 | 45.9 | 6.8 | MYR |
| BASF Australia Ltd. | Southbank (Australia) | 100.00 | 0.00 | 88.6 | 3.8 | AUD |
| BASF Care Chemicals (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 2,322.0 | 152.4 | CNY |
| BASF Catalysts (Guilin) Co., Ltd. | Guilin (China) | 96.25 | 0.00 | 552.5 | 105.6 | CNY |
| BASF Catalysts India Private Ltd. | Mumbai (India) | 95.00 | 0.00 | 5,271.4 | 401.2 | INR |
| BASF Catalysts (Shanghai) Co., Ltd. | Shanghai (China) | 96.25 | 0.00 | 4,624.1 | 595.1 | CNY |
| BASF Central Asia LLP | Almaty (Kazakhstan) | 100.00 | 0.00 | 2,706.1 | -1,294.6 | KZT |
| BASF Chemcat (Thailand) Ltd. | Rayong (Thailand) | 80.00 | 0.00 | 565.5 | -203.3 | THB |
| BASF Chemicals Company Ltd. | Shanghai (China) | 100.00 | 0.00 | -376.0 | -761.1 | CNY |
| BASF Chemicals India Pvt. Ltd. | Mumbai (India) | 100.00 | 0.00 | 2,068.1 | 93.1 | INR |
| BASF (China) Company Ltd. | Shanghai (China) | 100.00 | 100.00 | 6,436.4 | 944.5 | CNY |
| BASF Coatings (Guangdong) Co., Limited | Jiangmen (China) | 100.00 | 0.00 | 123.1 | 21.3 | CNY |
| BASF Colors & Effects Japan Ltd. | Tokyo (Japan) | 100.00 | 0.00 | 0.5 | 0.3 | JPY |
| BASF Colors & Effects Korea Ltd. | Ulsan (South Korea) | 100.00 | 0.00 | 66.2 | -2.5 | KRW |
| BASF Colors & Effects Shanghai Ltd. | Shanghai (China) | 100.00 | 0.00 | 138.7 | 23.1 | CNY |
| BASF Colors & Effects Singapore Pte. Ltd. | Singapore (Singapore) | 100.00 | 0.00 | 8.2 | 1.3 | USD |
| BASF Company Ltd. | Seoul (South Korea) | 100.00 | 0.00 | 991.3 | 173.3 | KRW |
| BASF Crop Protection (JiangSu) Co., Ltd. | Rudong County (China) | 100.00 | 0.00 | 586.9 | 81.2 | CNY |
| BASF East Asia Regional Headquarters Ltd. | Hong Kong (China) | 100.00 | 0.00 | 648.7 | 728.9 | HKD |
| BASF Electronic Materials (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 44.0 | 20.1 | CNY |
| BASF Engineering Plastics (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 311.4 | 78.2 | CNY |
| BASF Environmental Technologies (Shanghai) Co., Ltd. | Shanghai (China) | 96.25 | 0.00 | 358.5 | 170.2 | CNY |
| BASF Gao-Qiao Performance Chemicals (Shanghai) Co., Ltd. | Shanghai (China) | 75.00 | 0.00 | 562.9 | -70.5 | CNY |
| BASF High Purity Electronic Chemicals Production (Jiaxing) Company Limited | Jiaxing (China) | 100.00 | 0.00 | 107.5 | 37.6 | CNY |
| BASF Hong Kong Ltd. | Hong Kong (China) | 100.00 | 0.00 | 166.2 | 98.4 | USD |
| BASF Idemitsu Co., Ltd. | Tokyo (Japan) | 67.00 | 67.00 | -1.7 | -3.6 | JPY |
| BASF India Limited | Mumbai (India) | 73.33 | 52.75 | 18,843.7 | 119.7 | INR |
| BASF Integrated Site (Guangdong) Co., Ltd. | Zhanjiang (China) | 100.00 | 50.00 | 698.2 | -28.3 | CNY |
| BASF International Trading (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 3.5 | 2.8 | CNY |
| BASF Intertrade (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 163.6 | 7.5 | CNY |
| BASF Japan Ltd. | Tokyo (Japan) | 100.00 | 0.00 | 30.6 | 4.3 | JPY |
| BASF (Malaysia) Sdn. Bhd. | Shah Alam (Malaysia) | 100.00 | 0.00 | 399.5 | 222.4 | MYR |
| BASF Markor Chemical Manufacturing (Xinjiang) Company Limited | Korla (China) | 51.00 | 0.00 | 142.6 | -7.1 | CNY |
| BASF Metals Japan Ltd. | Tokyo (Japan) | 100.00 | 100.00 | 6.6 | 2.0 | JPY |
| BASF Metals (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 667.3 | 143.8 | CNY |
| BASF New Zealand Ltd. | Auckland (New Zealand) | 100.00 | 100.00 | 15.2 | 4.0 | NZD |
| BASF Paper Chemicals (Huizhou) Co., Ltd. | Huizhou City (China) | 100.00 | 0.00 | -90.8 | 0.1 | CNY |
| BASF Paper Chemicals (Jiangsu) Co., Ltd. | Jiangsu (China) | 100.00 | 0.00 | 345.4 | 37.1 | CNY |

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--|---------------------------------|----------------------------|----------------------|------------------|----------------------|---------------------|
| BASF Performance Polyamides India Private Limited | Mumbai (India) | 73.33 | 0.00 | 1,670.6 | 227.9 | INR |
| BASF Performance Polyamides Japan Ltd. | Tokyo (Japan) | 100.00 | 0.00 | 0.0 | 0.0 | JPY |
| BASF Performance Polyamides Korea Co., Ltd. | Seoul (South Korea) | 100.00 | 0.00 | 119.4 | 6.1 | KRW |
| BASF Performance Products Ltd. | Shanghai (China) | 100.00 | 0.00 | 1,225.6 | 67.5 | CNY |
| BASF PETRONAS Chemicals Sdn. Bhd. | Shah Alam (Malaysia) | 60.00 | 0.00 | 249.0 | -234.4 | USD |
| BASF Polyurethane Specialties (China) Co., Ltd. | Shanghai (China) | 100.00 | 7.00 | 2,859.2 | 351.5 | CNY |
| BASF Polyurethanes (China) Co., Ltd. | Guangzhou (China) | 100.00 | 0.00 | 365.0 | 9.6 | CNY |
| BASF Polyurethanes (Chongqing) Co., Ltd. | Chongqing (China) | 100.00 | 100.00 | 5,549.5 | 1,154.5 | CNY |
| BASF Polyurethanes (Tianjin) Co., Ltd. | Tianjin (China) | 100.00 | 0.00 | 69.8 | 11.2 | CNY |
| BASF Services (Malaysia) Sdn. Bhd. | Kuala Lumpur (Malaysia) | 100.00 | 100.00 | 192.7 | 0.7 | MYR |
| BASF Shanghai Coatings Co., Ltd. | Shanghai (China) | 60.00 | 0.00 | 1,567.1 | 289.7 | CNY |
| BASF South East Asia Pte. Ltd. | Singapore (Singapore) | 100.00 | 0.00 | 283.0 | 3.7 | USD |
| BASF Specialty Chemicals (Nanjing) Co., Ltd. | Nanjing (China) | 100.00 | 0.00 | 529.2 | -7.0 | CNY |
| BASF (Thai) Ltd. | Bangkok (Thailand) | 100.00 | 100.00 | 2,006.0 | 381.3 | THB |
| BASF Taiwan Ltd. | Taipei (Taiwan) | 100.00 | 0.00 | 6,586.5 | 1,673.8 | TWD |
| BASF TODA Battery Materials, LLC | Tokyo (Japan) | 66.00 | 0.00 | 10.7 | -2.5 | JPY |
| BASF Vietnam Co., Ltd. | Ben Nghe Ward (Vietnam) | 100.00 | 0.00 | 701.0 | 99.4 | VND |
| BASF Vitamins Company Ltd. | Shenyang (China) | 100.00 | 60.00 | 594.9 | 65.3 | CNY |
| Chemetall Asia Pte. Ltd. | Singapore (Singapore) | 100.00 | 0.00 | 109.1 | 9.6 | SGD |
| Chemetall (Australasia) Pty. Ltd. | Melbourne (Australia) | 100.00 | 0.00 | 33.0 | 0.4 | AUD |
| Chemetall Hong Kong Ltd. | Hong Kong (China) | 100.00 | 0.00 | 8.2 | 8.0 | CNY |
| Chemetall India Private Ltd. | Pune (India) | 100.00 | 0.00 | 4,068.4 | 210.0 | INR |
| Chemetall New Zealand Ltd. | Avondale (New Zealand) | 100.00 | 0.00 | 17.6 | -0.6 | NZD |
| Chemetall Philippines Co., Ltd., Inc. | Taguig (Philippines) | 99.95 | 0.00 | 30.4 | -40.4 | PHP |
| Chemetall Surface Treatment Holding Co., Ltd. | ⁴ Bangkok (Thailand) | 49.33 | 0.00 | -2.8 | -0.6 | THB |
| Chemetall (Thailand) Co., Ltd. | Bangkok (Thailand) | 74.16 | 0.00 | 72.0 | 11.3 | THB |
| Nunhems Australia Pty Ltd | Northgate (Australia) | 100.00 | 0.00 | 2.2 | 0.4 | AUD |
| Nunhems Beijing Seeds Company Ltd. | Beijing (China) | 80.00 | 0.00 | 165.7 | 5.7 | CNY |
| NUNHEMS INDIA PRIVATE LIMITED | Kandlakoya (India) | 99.99 | 0.00 | 8,143.6 | 176.0 | INR |
| PT BASF Care Chemicals Indonesia | Jakarta (Indonesia) | 84.70 | 0.00 | 628.5 | -13.8 | IDR |
| PT BASF Distribution Indonesia | Jakarta (Indonesia) | 100.00 | 0.00 | 386.1 | 102.0 | IDR |
| PT BASF Indonesia | Jakarta (Indonesia) | 99.99 | 99.99 | 756.9 | -76.2 | IDR |
| Shanghai BASF Polyurethane Company Ltd. | Shanghai (China) | 70.00 | 0.00 | 2,620.3 | 822.3 | CNY |
| Shanghai Chemetall Chemicals Co., Ltd. | Shanghai (China) | 100.00 | 0.00 | 3,031.1 | -2,265.8 | CNY |
| Zhejiang Chemetall Surface Treatment Materials Co., Ltd. | Pinghu City (China) | 100.00 | 0.00 | 237.2 | -5.0 | CNY |
| South America, Africa, Middle East | | | | | | |
| BASF Argentina S.A. | Buenos Aires (Argentina) | 100.00 | 0.00 | 2,993.5 | 850.6 | ARS |
| BASF Chile S.A. | Santiago de Chile (Chile) | 100.00 | 0.00 | 39.9 | 9.0 | CLP |
| BASF Coatings Services (Pty.) Ltd. | Cape Town (South Africa) | 70.00 | 0.00 | 139.6 | -17.2 | ZAR |
| BASF Corporate Services Chile S.A. | Santiago de Chile (Chile) | 100.00 | 99.93 | 17.4 | 0.2 | CLP |
| BASF FZE | Dubai (United Arab Emirates) | 100.00 | 100.00 | 73.6 | 12.7 | AED |
| BASF Holdings South Africa (Pty.) Ltd. | Midrand (South Africa) | 70.00 | 0.00 | 40.0 | -841.4 | ZAR |
| BASF Peruana S.A. | Lima (Peru) | 100.00 | 99.79 | 67.9 | 4.6 | PEN |
| BASF Plastic Additives Middle East S.P.C. | Al Hidd (Bahrain) | 100.00 | 0.00 | 1.6 | -0.9 | BHD |
| BASF Poliuretanos Ltda. | Maua (Brazil) | 100.00 | 0.00 | 101.8 | 42.8 | BRL |
| BASF Química Colombiana S.A. | Bogota (Colombia) | 99.99 | 0.00 | 77.4 | 10.6 | COP |

⁴ Fully consolidated in accordance with IFRS 10

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--|--------------------------------|----------------------------|----------------------|------------------|----------------------|---------------------|
| BASF S.A. | São Paulo (Brazil) | 100.00 | 0.00 | 5,453.7 | 737.7 | BRL |
| BASF Services Americas S.R.L. | Montevideo (Uruguay) | 100.00 | 0.00 | -65.8 | -178.2 | UYU |
| BASF South Africa (Pty.) Ltd. | Midrand (South Africa) | 70.00 | 0.00 | 2,603.4 | 25.5 | ZAR |
| BASF Uruguay S.A. | Montevideo (Uruguay) | 100.00 | 100.00 | 431.2 | 114.1 | UYU |
| Bioseeds S.A. | Buenos Aires (Argentina) | 100.00 | 0.00 | 49.3 | 26.6 | ARS |
| CA Pesquisa e Comercio de Sementes Ltda. | Campinas (Brazil) | 100.00 | 0.00 | 36.1 | 0.1 | BRL |
| Chemetall do Brasil Ltda. | Jundiai (Brazil) | 100.00 | 0.00 | 35.7 | -2.7 | BRL |
| Chemetall (Proprietary) Ltd. | Boksburg (South Africa) | 100.00 | 0.00 | 359.0 | -38.6 | ZAR |
| Chemetall S.R.L. | Buenos Aires (Argentina) | 100.00 | 0.00 | 29.2 | -0.7 | ARS |
| Nunhems Chile SpA | Santiago de Chile (Chile) | 100.00 | 0.00 | 10.9 | 0.6 | CLP |
| NUNHEMS ISRAEL SEEDS 2018 LTD | Hod Hasharon (Israel) | 100.00 | 0.00 | 0.5 | 0.5 | ILS |
| Nunhems Maroc SARL | Casablanca (Morocco) | 100.00 | 100.00 | -1.3 | -1.0 | MAD |
| Techpolymers Indústria e Comércio Ltda. | Sao Bernardo do Campo (Brazil) | 100.00 | 0.00 | 122.6 | 9.8 | BRL |
| The BASF South Africa Trust | Johannesburg (South Africa) | 0.00 ⁵ | 0.00 | 1.4 | -0.4 | ZAR |

Proportionally consolidated joint operations

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--------------------------------|-------------------------|----------------------------|----------------------|------------------|----------------------|---------------------|
| Rest of Europe | | | | | | |
| Alsachimie S.A.S. | Chalampé (France) | 51.00 | 51.00 | 86.2 | 1.0 | EUR |
| BASF DOW HPPO Holding B.V. | Hoek (Netherlands) | 50.00 | 0.00 | 21.7 | 16.0 | EUR |
| BASF DOW HPPO Production BVBA | Antwerp (Belgium) | 50.00 | 0.00 | 50.2 | 15.9 | EUR |
| Butachimie SNC | Chalampé (France) | 50.00 | 50.00 | 169.5 | 12.3 | EUR |
| Ellba C.V. | Rotterdam (Netherlands) | 50.00 | 0.00 | 91.1 | 27.7 | EUR |
| HPPO Holding and Finance C.V. | Hoek (Netherlands) | 50.00 | 0.00 | 21.7 | 16.0 | EUR |
| Zandvliet Power N.V. | Antwerp (Belgium) | 50.00 | 0.00 | 17.6 | -0.4 | EUR |
| Asia Pacific | | | | | | |
| KOLON BASF innoPOM Inc. | Gimcheon (South Korea) | 50.00 | 0.00 | 51.0 | 0.4 | USD |
| Toray BASF PBT Resin Sdn. Bhd. | Kuala Lumpur (Malaysia) | 50.00 | 50.00 | 30.3 | 4.7 | MYR |

⁵ Share of voting rights: 50.02%

Joint ventures accounted for using the equity method

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|---|----------------------|----------------------------|----------------------|------------------------|------------------------|---------------------|
| Germany | | | | | | |
| Wintershall Dea GmbH | Kassel/Hamburg | 72.70 ⁶ | 0.00 | 6,434.9 | -838.8 | EUR |
| Rest of Europe | | | | | | |
| BASF Interox H2O2 Production N.V. | Brussels (Belgium) | 50.00 | 0.00 | 43.2 | 43.2 | EUR |
| BASF Sonatrach Propanchem S.A. | Tarragona (Spain) | 51.00 | 0.00 | 52.7 | 29.2 | EUR |
| North America | | | | | | |
| Industrias Polioles S.A. de C.V. | Mexico City (Mexico) | 49.90 | 0.00 | 2.0 | 0.5 | USD |
| Polioles, S.A. de C.V. | Merma (Mexico) | 50.00 | 0.00 | 29.0 | 1.0 | USD |
| Asia Pacific | | | | | | |
| BASF INOAC Polyurethanes Ltd. | Shinshiro (Japan) | 50.00 | 0.00 | 6,218.0 | 1,583.0 | JPY |
| BASF MPCC Company Limited | Guangdong (China) | 50.00 | 0.00 | 711.8 | 181.8 | CNY |
| BASF PJPC Neopentylglycol Co., Ltd. | Jilin City (China) | 60.00 | 50.00 | 166.4 | -11.3 | CNY |
| BASF-YPC Company Ltd. | Nanjing (China) | 50.00 | 10.00 | -8.0 | 1,054.0 | CNY |
| Changchun Chemetall Chemicals Co., Ltd. | Changchun (China) | 57.00 | 0.00 | 46.4 | 5.8 | CNY |
| Heesung Catalysts Corporation | Seoul (South Korea) | 50.00 | 0.00 | 642,205.0 | 124,668.0 | KRW |
| Heesung PMTech Corporation | Seoul (South Korea) | 40.05 | 0.00 | 642,205.0 ⁷ | 124,668.0 ⁷ | KRW |
| N.E. Chemcat Corporation | Tokyo (Japan) | 50.00 | 0.00 | 42,910.0 | 4,160.0 | JPY |
| Shanghai Gaoqiao BASF Dispersions Co., Ltd. | Shanghai (China) | 50.00 | 40.00 | 465.9 | 294.2 | CNY |
| Thai Ethoxylate Co., Ltd. | Bangkok (Thailand) | 50.00 | 0.00 | 1,216.5 | 182.3 | THB |

⁶ Interest in share capital: 67%

⁷ Figures relate to the superordinate company (Heesung Catalysts Corporation)

Associated companies accounted for using the equity method

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|---|----------------------------|----------------------------|----------------------|------------------|----------------------|---------------------|
| Germany | | | | | | |
| ARG mbH & Co. KG | Oberhausen | 19.93 ⁸ | 19.93 | 12.5 | 9.3 | EUR |
| Lucura Versicherungs AG | Ludwigshafen (Rhein) | 100.00 | 0.00 | 382.0 | 39.2 | EUR |
| Rest of Europe | | | | | | |
| Ahrma Holding B.V. | Deventer (Netherlands) | 33.00 ⁹ | 0.00 | 10.6 | -4.0 | EUR |
| BASF Huntsman Shanghai Isocyanate Investment B.V. | Arnhem (Netherlands) | 50.00 | 0.00 | 141.9 | 14.5 | EUR |
| CIMO Compagnie industrielle de Monthey S.A. | Monthey (Switzerland) | 50.00 | 0.00 | 194.8 | -1.3 | CHF |
| Solenis UK International Ltd | London (United Kingdom) | 49.00 | 0.00 | 1,102.7 | -108.2 | USD |
| Stahl Lux 2 S.A. | Luxembourg (Luxembourg) | 16.32 ⁸ | 0.00 | 237.7 | 90.2 | EUR |
| North America | | | | | | |
| Yara Freeport LLC | Wilmington, Delaware (USA) | 32.00 | 0.00 | 345.0 | -9.4 | USD |
| Asia Pacific | | | | | | |
| Markor Meiou Chemical (Xinjiang) Co., Ltd. | Korla (China) | 49.00 | 0.00 | 295.9 | -17.2 | CNY |
| Shanghai Lianheng Isocyanate Co., Ltd. | Shanghai (China) | 35.00 | 0.00 | 1,853.3 | 84.9 | CNY |

II. Shareholdings not consolidated due to immateriality
Subsidiaries not consolidated due to immateriality

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|---|----------------------|----------------------------|----------------------|
| Germany | | | |
| Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH | Mönchengladbach | 100.00 | 0.00 |
| baseclick GmbH | Neuried | 67.23 | 0.00 |
| BASF 3D Printing Solutions GmbH | Heidelberg | 100.00 | 0.00 |
| BASF Biorenewable Beteiligungs GmbH & Co. KG | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Coatings Services GmbH | Dortmund | 100.00 | 0.00 |
| BASF Deutsche Grundbesitz GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Digital Farming GmbH | Münster | 100.00 | 0.00 |
| BASF Fuel Cell GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Fuel Cell Pensionsverwaltung GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Gastronomie GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Immobilien-Gesellschaft mbH | Ludwigshafen (Rhein) | 100.00 | 100.00 |
| BASF Innovationsfonds GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Jobmarkt GmbH | Ludwigshafen (Rhein) | 100.00 | 100.00 |
| BASF Lizenz GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Logistics GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF Metabolome Solutions GmbH | Berlin | 100.00 | 0.00 |
| BASF Mobilienleasing GmbH & Co. KG | Monheim | 100.00 | 0.00 |
| BASF Schwarzheide Consulting GmbH | Schwarzheide | 100.00 | 0.00 |
| BASF VC Beteiligungs- und Managementgesellschaft mbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |

⁸ BASF exercises significant influence over financial and corporate policy.

⁹ Total voting rights: 40%

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|--|------------------------------------|----------------------------|----------------------|
| BASF Venture Capital GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BASF watertechnologies Beteiligungs GmbH | Schwarzeide | 100.00 | 100.00 |
| BASF watertechnologies GmbH & Co. KG | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| BFC Research GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| Boxlab Services GmbH | ¹⁰ Ludwigshafen (Rhein) | 100.00 | 0.00 |
| CHEMOVATOR GmbH | Mannheim | 100.00 | 0.00 |
| Chemster GmbH | Mannheim | 100.00 | 0.00 |
| CM-Hilfe GmbH Unterstützungskasse | Frankfurt (Main) | 100.00 | 0.00 |
| Cognis Trust Management GmbH | Düsseldorf | 100.00 | 0.00 |
| Deutsche Nanoschicht GmbH | Rheinbach | 100.00 | 0.00 |
| FSB Flugplatz Beteiligungsgesellschaft mbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| FSL Flugplatz Speyer/Ludwigshafen GmbH | Speyer | 59.35 | 9.43 |
| Gesellschaft zur Förderung der Lackkunst mbH | Münster | 100.00 | 0.00 |
| Gewerkschaft des konsolidierten Steinkohlebergwerks Breitenbach GmbH | Ludwigshafen (Rhein) | 100.00 | 100.00 |
| Guano-Werke Pensionsverwaltung GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| Guano-Werke Verwaltungs GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| LUCARA Immobilienverwaltungs-GmbH | Ludwigshafen (Rhein) | 100.00 | 100.00 |
| Projektentwicklungs-GmbH Friesenheimer Insel | Ludwigshafen (Rhein) | 100.00 | 100.00 |
| RepairFix GmbH | Münster | 100.00 | 0.00 |
| SGS - Schwarzeider Gastronomie und Service GmbH | Schwarzeide | 100.00 | 0.00 |
| SunGene GmbH | Ludwigshafen (Rhein) | 100.00 | 0.00 |
| Rest of Europe | | | |
| Allied Colloids Group Limited | Stockport (United Kingdom) | 100.00 | 0.00 |
| A.M. Craig Limited | Bletchley (United Kingdom) | 100.00 | 0.00 |
| Ardrox Ltd. | Bletchley (United Kingdom) | 100.00 | 0.00 |
| BASF 3D Printing Solutions B.V. | Emmen (Netherlands) | 100.00 | 0.00 |
| BASF Business Services Holding Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| BASF Business Services Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| BASF Coatings Services AB | Hisings Kärra (Sweden) | 100.00 | 0.00 |
| BASF Coatings Services AG | Präffikon (Switzerland) | 100.00 | 0.00 |
| BASF Coatings Services B.V. | Maarsse (Netherlands) | 100.00 | 0.00 |
| BASF Coatings Services GmbH | Eugendorf (Austria) | 100.00 | 0.00 |
| BASF Coatings Services Italy Srl | Cesano Maderno (Italy) | 100.00 | 0.00 |
| BASF Coatings Services S.A. | Prior Velho (Portugal) | 100.00 | 0.00 |
| BASF Coatings Services S.A. | Bornem (Belgium) | 100.00 | 0.00 |
| BASF Coatings Services S.A.S. | Compans (France) | 100.00 | 0.00 |
| BASF Coatings Services S.A.U. | Guadalajara (Spain) | 100.00 | 0.00 |
| BASF Coatings Services S.R.L. | Bucharest (Romania) | 100.00 | 99.99 |
| BASF Coatings Services Sp. z o.o. | Warsaw (Poland) | 100.00 | 0.00 |
| BASF Colors & Effects Iberia S.L. | Barcelona (Spain) | 100.00 | 0.00 |
| BASF COLORS & EFFECTS ITALY SRL | Cesano Maderno (Italy) | 100.00 | 100.00 |
| BASF Colors & Effects Kimyevi Maddeler Ltd. Sirket | Istanbul (Turkey) | 100.00 | 0.00 |
| BASF Colors & Effects UK Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| BASF Croatia d.o.o. | Zagreb (Croatia) | 100.00 | 100.00 |
| BASF Digital Solutions S.L. | Madrid (Spain) | 100.00 | 0.00 |
| BASF EOOD | Sofia (Bulgaria) | 100.00 | 100.00 |
| BASF Industrial Metals LLC | Moscow (Russian Federation) | 100.00 | 0.00 |

¹⁰ In formation

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|--|------------------------------------|----------------------------|----------------------|
| BASF IP Management B.V. | Arnhem (Netherlands) | 100.00 | 0.00 |
| BASF Pensions Trustee Limited | Stockport (United Kingdom) | 100.00 | 0.00 |
| BASF SIA | Marupe (Latvia) | 100.00 | 0.00 |
| BASF Slovenija d.o.o. | Ljubljana (Slovenia) | 100.00 | 100.00 |
| BASF Srbija d.o.o. | Belgrade (Serbia) | 100.00 | 100.00 |
| BASF UAB | Vilnius (Lithuania) | 100.00 | 100.00 |
| BCI PENSIONS TRUSTEE LIMITED | Bletchley (United Kingdom) | 100.00 | 0.00 |
| Brent Europe Ltd. | Bletchley (United Kingdom) | 100.00 | 0.00 |
| Brent International B.V. | Bletchley (United Kingdom) | 100.00 | 0.00 |
| CarRoll BVBA | Turnhout (Belgium) | 75.00 | 0.00 |
| Chem2U AG | Basel (Switzerland) | 100.00 | 0.00 |
| Chemserve Ltd. | Bletchley (United Kingdom) | 100.00 | 0.00 |
| Cloudfarms ApS | Horsens (Denmark) | 100.00 | 0.00 |
| Cloudfarms a.s. | Bratislava (Slovakia) | 100.00 | 0.00 |
| Cognis Holdings UK Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| CropDesign N.V. | Nevele (Belgium) | 100.00 | 0.00 |
| DLight BVBA | Geel (Belgium) | 75.00 | 0.00 |
| Engelhard Arganda S.L. | Tarragona (Spain) | 100.00 | 100.00 |
| FLLC BASF | Minsk (Belarus) | 100.00 | 0.00 |
| Inca Bronze Powders Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| Interlates Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| Low Moor Securities Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| Sculpteo SAS | Villejuif (France) | 100.00 | 0.00 |
| SETUP Performance SAS | Frontonas (France) | 100.00 | 0.00 |
| The Brent Manufacturing Company Ltd. | Bletchley (United Kingdom) | 100.00 | 0.00 |
| The MicroBio Group Limited | Stockport (United Kingdom) | 100.00 | 0.00 |
| The Sheffield Smelting Co. Ltd. | Stockport (United Kingdom) | 100.00 | 0.00 |
| UBench B.V. | Turnhout (Belgium) | 75.00 | 0.00 |
| UBench International NV | Turnhout (Belgium) | 75.00 | 0.00 |
| North America | | | |
| Automotive Refinish Technologies Inc. | Mississauga, Ontario (Canada) | 100.00 | 0.00 |
| Automotive Refinish Technologies, LLC | Southfield, Michigan (USA) | 100.00 | 0.00 |
| AutoSpot LLC | Wilmington, Delaware (USA) | 100.00 | 0.00 |
| BASF Colors & Effects México, S.A. de C.V. | Mexico City (Mexico) | 100.00 | 0.00 |
| BASF de El Salvador, S.A. de C.V. | San Salvador (El Salvador) | 100.00 | 99.95 |
| BASF de Guatemala S.A. | Guatemala City (Guatemala) | 100.00 | 99.34 |
| BASF Dominicana S.A. | Santo Domingo (Dominican Republic) | 100.00 | 100.00 |
| BASF Properties Inc. | Mississauga, Ontario (Canada) | 100.00 | 0.00 |
| BASF Venture Capital America Inc. | Fremont, California (USA) | 100.00 | 0.00 |
| Chemster LLC | San Francisco, California (USA) | 100.00 | 0.00 |
| Ciba S.A. (ACC) | Guatemala City (Guatemala) | 100.00 | 0.00 |
| EnerG2 Technologies, Inc. | Seattle, Washington (USA) | 100.00 | 0.00 |
| Ovonic Battery Company Inc. | Iselin, New Jersey (USA) | 100.00 | 0.00 |
| Sculpteo Inc. | Lewes, Delaware (USA) | 100.00 | 0.00 |
| SkyBit Inc. | Boalsburg, Pennsylvania (USA) | 100.00 | 0.00 |

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|--|-----------------------------------|----------------------------|----------------------|
| Thousand Springs Trout Farms, Inc. | Florham Park, New Jersey (USA) | 100.00 | 0.00 |
| Asia Pacific | | | |
| BASF Agricultural Solutions Australia PTY LTD | Southbank (Australia) | 100.00 | 0.00 |
| BASF Azerbaijan LLC | Baku (Azerbaijan) | 100.00 | 0.00 |
| BASF Bangladesh Ltd. | Dhaka (Bangladesh) | 76.41 | 76.41 |
| BASF (Cambodia) Co., Ltd. | Phnom Penh (Cambodia) | 100.00 | 0.00 |
| BASF Chem Products FC LLC | Taschkent (Uzbekistan) | 100.00 | 0.00 |
| BASF China Limited | Hong Kong (China) | 100.00 | 0.00 |
| BASF Coatings + Inks Philippines Inc. | Makati (Philippines) | 100.00 | 0.00 |
| BASF Colors & Effects India Private Limited | Mumbai (India) | 100.00 | 0.00 |
| BASF Grameen Ltd. | Dhaka (Bangladesh) | 99.50 | 99.50 |
| BASF Lanka (Private) Limited | Colombo (Sri Lanka) | 100.00 | 99.99 |
| BASF Myanmar Ltd. | Yangon (Myanmar) | 100.00 | 0.00 |
| BASF Pakistan (Pvt.) Limited | Karachi (Pakistan) | 100.00 | 100.00 |
| BASF Philippines, Inc. | Taguig (Philippines) | 100.00 | 100.00 |
| BASF See Sen Sdn. Bhd. | Kemaman (Malaysia) | 70.00 | 70.00 |
| BASF Venture Capital (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 |
| BNC Color Techno Co., Ltd. | Kanagawa (Japan) | 100.00 | 0.00 |
| Chemetall (Shanghai) International Trading Co., Ltd. | Shanghai (China) | 100.00 | 0.00 |
| Doobon Fine Chemical Co., Ltd. | Cheongju (South Korea) | 63.00 | 0.00 |
| Foshan Chemetall Surface Treatment Co., Ltd. | Foshan (China) | 57.00 | 0.00 |
| Rolic Technologies (Shanghai) Co., Ltd. | Shanghai (China) | 100.00 | 0.00 |
| South America, Africa, Middle East | | | |
| BASF Agricultural Specialities (PTY) Ltd. | Mariannhill (South Africa) | 100.00 | 0.00 |
| BASF Bolivia S.R.L. | Santa Cruz de la Sierra (Bolivia) | 100.00 | 99.00 |
| BASF Coatings (Pty.) Ltd. | Johannesburg (South Africa) | 70.00 | 0.00 |
| BASF Colors and Effects FZE | Dubai (United Arab Emirates) | 100.00 | 0.00 |
| BASF Construction Chemicals Pars Company (PJS) | Teheran (Iran) | 100.00 | 0.00 |
| BASF East Africa Ltd. | Nairobi (Kenya) | 100.00 | 100.00 |
| BASF Ecuatoriana S.A. | Quito (Ecuador) | 100.00 | 99.97 |
| BASF Egypt LLC | Cairo (Egypt) | 100.00 | 49.00 |
| BASF Iran (PJS) Company | Teheran (Iran) | 100.00 | 0.00 |
| BASF Ivory Coast | Abidjan (Ivory Coast) | 100.00 | 0.00 |
| BASF Limited LLC | Cairo (Egypt) | 100.00 | 99.18 |
| BASF Maroc S.A. | Casablanca (Morocco) | 100.00 | 99.96 |
| BASF Middle East Chemicals LLC | Abu Dhabi (United Arab Emirates) | 75.00 | 0.00 |
| BASF OPERATIONS LFTZ ENTERPRISE | Lagos (Nigeria) | 100.00 | 0.00 |
| BASF Paraguay S.A. | Asunción (Paraguay) | 100.00 | 99.99 |
| BASF Saudi Arabia Limited Company | Al Dammam (Saudi Arabia) | 75.00 | 0.00 |
| BASF SpA | Algiers (Algeria) | 100.00 | 100.00 |
| BASF Venezolana S.A. | Caracas (Venezuela) | 100.00 | 100.00 |
| BASF West Africa Ltd. | Lagos (Nigeria) | 100.00 | 0.00 |
| BASF Zambia Limited | Lusaka (Zambia) | 100.00 | 0.00 |
| Engelhard (South Africa) (Pty.) Ltd. | Port Elizabeth (South Africa) | 70.00 | 0.00 |

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|--|-------------------------|----------------------------|----------------------|
| Medag Industria de Soluções Químicas Ltda. | Manaus (Brazil) | 100.00 | 0.00 |
| Nunhems Ethiopia PLC | Addis Abeba (Ethiopia) | 100.00 | 0.00 |
| Wilhelm Rosenstein Ltd. | Herzliya (Israel) | 100.00 | 0.00 |
| Wintershall BM-C-10 Ltda. | Rio de Janeiro (Brazil) | 99.99 | 0.00 |

Associated companies not accounted for using the equity method due to immateriality

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|--|---------------------------------|----------------------------|----------------------|
| Germany | | | |
| ARG Verwaltungs GmbH | Duisburg | 20.00 | 20.00 |
| Aurentum Innovationstechnologien GmbH | Mainz | 48.20 | 0.00 |
| baseclick Vaccine GmbH | Neuried | 51.40 | 0.00 |
| DCSO Deutsche Cyber-Sicherheitsorganisation GmbH | Berlin | 25.00 | 25.00 |
| GAG Ludwigshafen am Rhein AG für Wohnungs-, Gewerbe- und Städtebau | Ludwigshafen (Rhein) | 30.00 | 0.00 |
| Infra Leuna Beteiligungs GmbH | Leuna | 27.00 | 0.00 |
| InnovationLab GmbH | Heidelberg | 24.71 | 24.71 |
| KTL Kombi-Terminal Ludwigshafen GmbH | Ludwigshafen (Rhein) | 40.00 | 40.00 |
| Pyrum Innovations AG | Dillingen | 10.00 | 0.00 |
| Rest of Europe | | | |
| Applied Nano Surfaces Sweden AB | Uppsala (Sweden) | 39.80 | 0.00 |
| ARA Kaisten AG | Kaisten (Switzerland) | 25.00 | 0.00 |
| B2B Cosmetics | La Seyne-Sur-Mer (France) | 25.02 | 0.00 |
| bci Betriebs-AG | Basel (Switzerland) | 42.54 | 0.00 |
| Brightlands Campus Greenport Venlo B.V. | Venlo (Belgium) | 66.30 | 0.00 |
| Combi Terminal Catalonia Sociedad Limitada | Tarragona (Spain) | 25.00 | 0.00 |
| Combinant N.V. | Antwerp (Belgium) | 45.00 | 0.00 |
| CSEBER Nonprofit Közhasznú Kft. | Budapest (Hungary) | 22.72 | 0.00 |
| ecoRobotix SA | Yverdon-les-Bains (Switzerland) | 20.50 | 0.00 |
| Industriefeuerwehr Regio Basel AG (IFRB) | Muttenz (Switzerland) | 33.33 | 0.00 |
| Pyrum Innovations International SA | Schengen (Luxembourg) | 10.00 | 0.00 |
| siHealth Ltd. | Oxfordshire (United Kingdom) | 24.90 | 0.00 |
| North America | | | |
| Buckeye Products Pipeline LP | Houston, Texas (USA) | 22.00 | 0.00 |
| Gulf Coast Pipeline LP | Houston, Texas (USA) | 22.00 | 0.00 |
| Sion Power Corporation | Tucson, Arizona (USA) | 20.00 | 0.00 |
| Asia Pacific | | | |
| Nisso BASF Agro Co., Ltd. | Tokyo (Japan) | 45.00 | 45.00 |
| Santoku BASF Pte. Ltd. | Singapore (Singapore) | 49.00 | 49.00 |
| South America, Africa, Middle East | | | |
| BASF Kanoo Polyurethanes LLC | Dubai (United Arab Emirates) | 49.00 | 0.00 |
| BASF Tunisie S.A. | Tunis (Tunisia) | 49.00 | 48.56 |

Joint ventures not accounted for using the equity method due to immateriality

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) |
|--|-----------------------------------|----------------------------|----------------------|
| Germany | | | |
| KARANTO Corrosion Protection Technologies GmbH | Düsseldorf | 50.00 | 0.00 |
| Succinity GmbH | Ludwigshafen (Rhein) | 50.00 | 50.00 |
| Rest of Europe | | | |
| BASF DOW HPPO B.V. | Hoek (Netherlands) | 50.00 | 0.00 |
| BASF DOW HPPO Technology B.V. | Hoek (Netherlands) | 50.00 | 0.00 |
| Ellba B.V. | Arnhem (Netherlands) | 50.00 | 0.00 |
| OOO Elastokam | Nischnekamsk (Russian Federation) | 50.00 | 0.00 |
| TAPP A.I.E. Terminal de Atraque de Productos Petroquimicos | Tarragona (Spain) | 50.00 | 0.00 |
| North America | | | |
| Bulky Inc. | Calgary (Canada) | 50.00 | 0.00 |
| Fort Amanda Specialties LLC | Lima, Ohio (USA) | 50.00 | 0.00 |
| Southeast Texas Pipelines LLC | Wilmington, Delaware (USA) | 60.00 | 0.00 |
| Asia Pacific | | | |
| Pigment Manufacturers of Australia Ltd. | Laverton (Australia) | 50.00 | 0.00 |
| South America, Africa, Middle East | | | |
| BASF Middle East LLC | Dubai (United Arab Emirates) | 75.00 | 75.00 |

Participating interests between 5% and 20% in major corporations

| Company | Headquarters | Participating interest (%) | Of which BASF SE (%) | Equity (million) | Net income (million) | Currency (ISO code) |
|--|----------------|----------------------------|----------------------|-----------------------|----------------------|---------------------|
| Asia Pacific | | | | | | |
| Chemipro Kasei Kaisha, Ltd. | Kobe (Japan) | 7.64 | 0.00 | 4,360.2 ¹¹ | 90.8 | JPY |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Zhuhai (China) | 10.00 | 0.00 | 514.8 ¹¹ | 54.5 | CNY |

¹¹ Financial statements for the 2019 fiscal year

III. Information on subsidiaries

The German subsidiaries listed below, which have the legal form of either a corporation or a partnership, make use of the exemptions provided by section 264(3) or section 264b of the German Commercial Code (HGB):

| Company | Headquarters |
|--|----------------------|
| BASF Agricultural Solutions GmbH | Ludwigshafen (Rhein) |
| BASF Agro Trademarks GmbH | Ludwigshafen (Rhein) |
| BASF Akquisitions GmbH | Ludwigshafen (Rhein) |
| BASF Battery Technology Investment GmbH & Co. KG | Ludwigshafen (Rhein) |
| BASF Beteiligungsgesellschaft mbH | Ludwigshafen (Rhein) |
| BASF Catalysts Germany GmbH | Hannover |
| BASF Coatings GmbH | Münster |
| BASF Construction Additives GmbH | Trostberg |
| BASF Digital Solutions GmbH | Ludwigshafen (Rhein) |
| BASF Grenzach GmbH | Grenzach-Wyhlen |
| BASF Handels- und Exportgesellschaft mbH | Ludwigshafen (Rhein) |
| BASF Isocyanate China Investment GmbH | Ludwigshafen (Rhein) |
| BASF Lampertheim GmbH | Lampertheim |
| BASF Leuna GmbH | Leuna |
| BASF Ludwigshafen Grundbesitz SE & Co. KG | Ludwigshafen (Rhein) |
| BASF New Business GmbH | Ludwigshafen (Rhein) |
| BASF Niedersächsische Grundbesitz GmbH | Ludwigshafen (Rhein) |
| BASF Performance Polymers GmbH | Rudolstadt |
| BASF Personal Care and Nutrition GmbH | Monheim |
| BASF Plant Science Company GmbH | Ludwigshafen (Rhein) |
| BASF Plant Science GmbH | Ludwigshafen (Rhein) |
| BASF Polyurethanes GmbH | Lemförde |
| BASF Services Europe GmbH | Berlin |
| BASF Trostberger Grundbesitz GmbH | Ludwigshafen (Rhein) |
| BASF US Verwaltung GmbH | Ludwigshafen (Rhein) |
| BASF Wohnen + Bauen GmbH | Ludwigshafen (Rhein) |
| BTC Europe GmbH | Monheim |
| Chemetall GmbH | Frankfurt (Main) |
| Cognis Holding GmbH | Ludwigshafen (Rhein) |
| Cognis International GmbH | Monheim |
| Grünau Illertissen GmbH | Illertissen |
| Guano-Werke GmbH & Co. KG | Ludwigshafen (Rhein) |
| hte GmbH the high throughput experimentation company | Heidelberg |
| Nunhems Germany GmbH | Marbach |
| trinamiX GmbH | Ludwigshafen (Rhein) |

Disclosures on BASF SE's position as a shareholder with unlimited liability pursuant to section 285 no. 11a HGB

| Company | Headquarters |
|---|----------------------|
| BASF Ludwigshafen Grundbesitz SE & Co. KG | Ludwigshafen (Rhein) |

In accordance with the requirements of section 357 of the Republic of Ireland Companies Act of 2014, BASF SE provides irrevocable guarantees for all amounts shown as liabilities in the financial statements of the subsidiary shown below. This subsidiary is thereby exempted from disclosure obligations as per section 347 of the Companies Act of 2014.

| Company | Headquarters |
|----------------------|---------------------|
| BASF Ireland Limited | Dublin (Ireland) |

Ludwigshafen am Rhein, February 23, 2021

The Board of Executive Directors

Assurance Pursuant to Sections 264(2) and 289(1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting rules, the Financial Statements of BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and Management's Report of BASF SE includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of BASF SE.

Ludwigshafen am Rhein, February 23, 2021

Dr. Martin Brudermüller

Chairman of the Board of Executive Directors
and Chief Technology Officer

Dr. Markus Kamieth

Dr. Hans-Ulrich Engel

Vice Chairman of the Board of Executive Directors
and Chief Financial Officer

Dr. Melanie Maas-Brunner

Saori Dubourg

Wayne T. Smith

Michael Heinz

Independent Auditor's Report¹

To BASF SE, Ludwigshafen am Rhein

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the Annual Financial Statements of BASF SE, Ludwigshafen am Rhein, which comprise the balance sheet as at December 31, 2020 and the statement of income for the financial year from January 1, 2020 to December 31, 2020 and the Notes to the Financial Statements, including the recognition and measurement policies presented therein. In addition, we have audited the Management Report of BASF SE for the financial year from January 1, 2020 to December 31, 2020. In accordance with German legal requirements, we have not audited those parts of the Management Report which are described in the section "Other Information" of our auditor's report.

The Management Report contains cross-references which are not intended to use by law and are identified as unaudited. In accordance with German legal requirements, we have not audited the content of those cross-references and the related referenced information.

In our opinion, on the basis of the knowledge obtained in the audit, – the accompanying Annual Financial Statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and

– the accompanying Management Report as a whole provides an appropriate view of the company's position. In all material respects, this Management Report is consistent with the Annual Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Management Report does not cover the content of those parts of the Management Report which are described in the section "Other Information" of our auditor's report. The Management Report contains cross-references which are not legally required and are identified as unaudited. Our opinion does not cover those cross-references and the related referenced information.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the Annual Financial Statements and of the Management Report.

Basis for the Opinions

We conducted our audit of the Annual Financial Statements and of the Management Report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Annual Financial Statements and on the Management Report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Financial Statements for the financial year from January 1, 2020 to December 31, 2020. These matters were addressed in the context of our audit of the Annual Financial Statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairments of property, plant and equipment in the Materials segment

For information on the accounting principles applied to property, plant and equipment, please refer to Note 1 of the Annual Financial Statements. For the development of property, plant and equipment in the fiscal year ending December 31, 2020, including the disclosure of impairments on property, plant and equipment in the Materials segment, please refer to Note 9.

The Financial Statement Risk

As of December 31, 2020, property, plant and equipment in the amount of EUR 3,526 million is included in the Annual Financial Statements of BASF SE. Impairments of property, plant and equipment in the amount of EUR 643 million were recognized in the Materials segment. These impairments of property, plant and equipment have a significant influence on the company's financial position and financial performance for the year ending December 31, 2020.

¹ This is a translation of the German original. Solely the original text in German language is authoritative.

In the financial statements, property, plant and equipment, as depreciable fixed assets, are generally carried at cost less scheduled depreciation. A write-down of property, plant and equipment to their lower fair value is required in the event of a probable permanent impairment. This requires an assessment whether the book value is still covered by the actual expected returns on the respective asset.

The determination of the fair value of property, plant and equipment and, consequently, the calculation of impairment losses is complex and, with respect to the assumptions made, highly dependent on estimates and discretionary assumptions made by the company. This applies, among other things, to plant-specific assumptions regarding production volumes, demand and price developments as well as the expected remaining useful life.

There is a risk for the Annual Financial Statements that impairments in the Materials segment have not been determined appropriately.

Our Audit Approach

In a first step, we evaluated the design and implementation of controls established by BASF for the valuation of property, plant and equipment. In discussions with representatives of the company from corporate management, accounting and controlling as well as with representatives from the Materials segment, we gained an understanding of the specific valuation risks identified by the company and of the approach used by the company to determine impairments.

With respect to the impairment model, we assessed the valuation methodology and verified the mathematical accuracy of the valuation. In consultation with our valuation specialists, we satisfied ourselves of the appropriateness of individual valuation parameters used. We have determined our own expected values for selected valuation parameters and compared these with the assumptions and parameters used.

In addition, we evaluated whether the valuations were based on appropriate and acceptable assumptions. To this end, we sought explanations of these assumptions from the company and we evaluated the impact of operational and technical measures on the forecasts. We also compared the assumptions with industry data and macroeconomic studies. Finally, we discussed the calculated valuation results with BASF and vouched accounting entries as a result of the valuation results.

Our Observations

The methodology used by BASF SE to determine the impairment of property, plant and equipment in the Materials segment is appropriate and in line with the valuation principles. The assumptions used by the company are appropriate.

Recoverability of shares in affiliated companies and shares in other companies

For information on the accounting principles applied, please refer to Note 1 to the Annual Financial Statements. The development of long-term financial assets is presented in Note 10.

The Financial Statement Risk

In the Annual Financial Statements of BASF SE as of December 31, 2020, shares in affiliated companies in the amount of €20,396 million and shares in other companies in the amount of €475 million are presented under long-term financial assets in the balance sheet. This represents 37.6% of the balance sheet total resulting in a significant influence on the company's financial position.

Long-term financial assets are generally recognized at acquisition cost in the Annual Financial Statements prepared in accordance with German commercial law. If the fair value on the reporting date falls below acquisition cost, an impairment must be recognized if the reduction in value is expected to be permanent. The company uses the discounted cash flow method to calculate the fair value. If the reasons for impairment no longer exist, the impairment is reversed to cost.

The cash flows utilized for the discounted cash flow method are based on entity specific projections for the upcoming five years, which are updated in line with the assumed long-term growth rates. The country-specific cost of capital is calculated using the return on an alternative investment with a comparable risk level and term.

In the financial year BASF SE has recognized impairments on shares in affiliated and other companies in the amount of €70 million. There have been reversals of impairments in the amount of €23 million.

Impairment testing including the calculation of fair value in accordance with the discounted cash flow method is complex and, in terms of the assumptions made, heavily dependent on the company's estimates and judgments. This applies among other things to the estimates of future cash flows and long-term growth rates as well as the calculation of the cost of capital rates.

There is the risk for the Annual Financial Statements that the shares in affiliated companies and the shares in other companies have not been measured correctly.

Our Audit Approach

In a first step, we evaluated the design and implementation of the controls established by BASF SE to identify and calculate the need for impairment and reversal of impairment. We examined in detail the approach used by the company to determine a need for impairment and, using the information gained in our audit, assessed whether there are indications of a need for impairment or reversal of impairment not identified by the company.

With respect to the valuation model, we assessed whether the valuation methods are consistent with the relevant valuation principles and the formulas used in the calculation files were applied correctly from a mathematical perspective. We satisfied ourselves of the methodological correctness of the calculation and the appropriateness of the weighted cost of capital rates used. To this end, we calculated our own expected values for the assumptions and parameters underlying the weighted cost of capital rates (e.g., risk-free rate, market risk premium, beta factor) and compared these with the assumptions and parameters used. The audit team was supported by our company valuation specialists.

We also assessed whether the cash flow planning underlying the valuation is based on appropriate and reasonable assumptions. To this end, we had the company or persons nominated by it at affiliated companies explain these assumptions and evaluated the effect of strategic and operating measures on cash flow planning. We examined the long-term earnings forecasts and growth rates using industry and economic studies to determine whether the assumptions in the measurements are appropriate. In selected cases, we assessed the quality of planning by comparing planning in the past with actual annual results. Finally, we discussed the results of valuations with BASF and verified the accounting treatment of these results based on the company's calculations.

Our Observations

The approach used by BASF to test shareholdings for impairment (including the valuation model) is appropriate and consistent with the valuation principles. Overall, the assumptions and assessments underlying the company's calculations are appropriate.

Measurement of pension obligations and plan assets

For information on the accounting principles applied, please refer to Note 1 to the financial statements. The underlying assumptions used in the measurement of pension obligations are described in Note 17.

The Financial Statement Risk

As of December 31, 2020, BASF SE's pension obligations amounted to €6,138 million. The fair value of the plan assets was €6,400 million. Overall, the pension obligations covered by assets resulted in a positive financing position of €326 million as of December 31, 2020, which is reported as an asset from the overfunding of pension obligations. In addition, the obligations not covered by assets amounting to €64 million are reported as a provision for pensions and similar obligations.

Provisions for pension-related obligations are recognized based on reasonable commercial judgment of the amount needed to meet these obligations.

BASF SE uses the internationally accepted projected unit credit method as the actuarial method for calculating the amount needed to meet obligations based on reasonable commercial judgment. BASF uses an external actuary here. The assumptions applied in the process are determined by BASF SE. The company assumed a salary growth of 2.50% and a projected pension increase of 1.50% for the calculation as of December 31, 2020. With regard to mortality and invalidity expectations, BASF used the modified 2018 G mortality tables by Prof. Dr. Klaus Heubeck.

Assets that serve as plan assets are measured at fair value. The fair values of plan assets generally correspond to the market price. If no active market exists, this gives rise to uncertainty or discretionary scope in the measurement of the plan assets.

The actuarial calculation of pension obligations is characterized by estimation uncertainty about the assumptions applied, particularly the projected pension increase.

There is the risk for the Annual Financial Statements that pension obligations and plan assets have not been measured correctly. In addition, there is also the risk that the Notes to the Annual Financial Statements do not contain the required disclosures on the assumptions underlying the valuation.

Our Audit Approach

In a first step, we assessed the design, implementation and effectiveness of the internal controls established by the company to communicate financial information relevant for the valuation, particularly the underlying data of the human resources system, to the actuary.

We assessed whether the actuarial calculation methods used are permissible. In the assessment of the assumptions and the calculation methods used, the audit team was supported by our actuarial specialists. Our actuaries also satisfied themselves of the competence, the expertise and the objectivity of the actuary engaged by BASF and evaluated the results of their work. Our audit procedures included, among others, an assessment of the appropriateness of the assumptions used as well as a comparison of the discount rate used with the interest rate published by Deutsche Bundesbank. In addition, we verified the mathematical accuracy of the resulting obligations based on a sample of specific pension commitments.

For the assessment of the fair values of plan assets, we had access to, in particular, bank confirmations and capital statements of the banks managing the funds. We also took a representative sample to compare the closing rates of the shares and bonds included in the special funds with external market data. For non-listed investments, we additionally evaluated the design, implementation and effectiveness of the internal controls established by the company to assess the valuation process for these investments.

Furthermore, we assessed whether the Notes to the Annual Financial Statements contained the required disclosures on the assumptions underlying the valuation.

Our Observations

The methods used by BASF to measure pension obligations are appropriate and consistent with the valuation principles to be applied under the German Commercial Code (HGB). Overall, the assumptions underlying the valuation of the pension obligations and the plan assets are appropriate. The Notes to the Annual Financial Statements contain the required disclosures on the assumptions underlying the valuation.

Measurement of tax provisions

For information on the accounting principles applied, please refer to Note 1 to the financial statements. Disclosures on income taxes can be found in Note 6.

The Financial Statement Risk

BASF SE has business activities in various jurisdictions with different legal regulations. A provision in the amount of €462 million was recognized as of December 31, 2020 for current taxes and risks arising from tax audits.

The application of tax regulations is complex and has risks associated with it. The determination of tax liabilities makes it necessary for BASF SE to apply judgment in the assessment of tax matters and that estimates be made with respect to tax risks.

There is the risk for the Annual Financial Statements that the provisions for taxes are over- or understated.

Our Audit Approach

We integrated our own tax specialists in the audit team to evaluate the tax calculation prepared and the risk assessment performed by BASF SE.

We assessed the assumptions made by BASF SE to calculate tax provisions based on our knowledge and experience of the current application of the relevant regulatory requirements by government authorities and the courts and checked the calculation of tax provisions for mathematical correctness. In discussions with employees in the tax department of BASF SE, we obtained an understanding as to the existing tax risks. In addition, we evaluated correspondence with the responsible fiscal authorities on the main matters.

Our Observations

The approach and assumptions made by BASF SE in the determination of tax provisions are appropriate.

Other Information

The Board of Executive Directors and the Supervisory Board are responsible for the other information. The other information comprises the following components of the Management Report, whose content was not audited:

- the non-financial statement, included in section “Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB)” of the Management Report,
- the corporate governance statement, included in section “Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)” of the Management Report, and
- the information extraneous to management reports and marked as unaudited.

Other Information also includes the remaining parts of the BASF SE Annual Report.

The other information does not include the Annual Financial Statements, the audited parts of the Management Report and our auditor’s report.

Our opinions on the Annual Financial Statements and on the Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Annual Financial Statements, with the Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Board of Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The Board of Executive Directors is responsible for the preparation of the Annual Financial Statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the Board of Executive Directors is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Board of Executive Directors is responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Board of Executive Directors is responsible for the preparation of the Management Report that as a whole provides an appropriate view of the company's position and is, in all material respects, consistent with the Annual Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Executive Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Management Report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the Annual Financial Statements and of the Management Report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Management Report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the Annual Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the Annual Financial Statements and on the Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements and this Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements and of the Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the Annual Financial Statements and of arrangements and measures (systems) relevant to the audit of the Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the Board of Executive Directors and the reasonableness of estimates made by the Board of Executive Directors and related disclosures.
- Conclude on the appropriateness of the Board of Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Annual Financial Statements and in the Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements present the underlying transactions and events in a manner that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the Management Report with the Annual Financial Statements, its conformity with German law, and the view of the company's position it provides.

- Perform audit procedures on the prospective information presented by the Board of Executive Directors in the Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Annual Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the Annual Financial Statements and the Management Report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "basf.seJA.zip" (SHA256-hash value: 25b197246f97a32c663dbb7758f080cfb3a59e428dac4d72feb-923fb65926ec5) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the Annual Financial Statements and the Management Report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying Annual Financial Statements and the accompanying Management Report for the financial year from January 1, 2020 to December 31, 2020 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above.

We conducted our assurance work of the reproduction of the Annual Financial Statements and the Management Report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited Annual Financial Statements and audited Management Report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on June 18, 2020. We were engaged by the Supervisory Board on July 17, 2020. We have been the auditor of BASF SE without interruption since the financial year 2006.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Stephan Kaiser.

Frankfurt am Main, February 23, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Sailer
Wirtschaftsprüfer
[German Public Auditor]

Dr. Kaiser
Wirtschaftsprüfer
[German Public Auditor]

Further information

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