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Corporate Governance

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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.

Board of Executive Directors

manages company and represents BASF SE in business with third parties

Supervisory Board

appoints, monitors and advises Board of Executive Directors

Shareholders

exercise rights of co-administration and supervision at Annual Shareholders' Meeting

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

- Board of Executive Directors strictly separate from the Supervisory Board
- Responsible for company management
- Sets goals and strategic direction

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 non-financial 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.

For more information on risk management, see the Forecast from page 158 onward

The members of the Board of Executive Directors, including their areas of responsibility and memberships on the supervisory bodies of other companies, are listed from page 180 onward

Compensation of the Board of Executive Directors is described in detail in the Compensation Report from page 183 onward

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

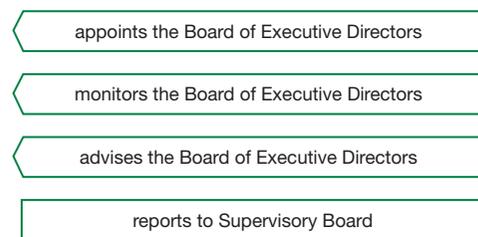
The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional experience, cultural background, international representation, gender and age when appointing members of the Board of Executive

Two-tier management system of BASF SE

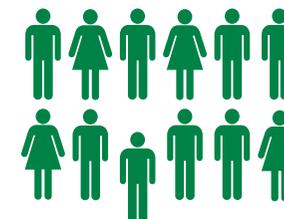
Board of Executive Directors



6 members
appointed by the Supervisory Board
Chair
appointed by the Supervisory Board



Supervisory Board



12 members
6 shareholder representatives elected by the Annual Shareholders' Meeting and 6 employee representatives
Chair
elected by the Supervisory Board

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

- Supervisory Board appoints, monitors and advises Board of Executive Directors
- Four Supervisory Board committees

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.

🔗 A list of the members of the Supervisory Board of BASF SE indicating which members are shareholder or employee representatives and their appointments to the supervisory bodies of other companies can be found from page 180 onward

The compensation of the Supervisory Board is presented in the Compensation Report from page 183 onward

🔗 The Statutes of BASF SE and the Employee Participation Agreement can be found at basf.com/statutes and basf.com/en/corporategovernance

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 employment 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

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 172 for the criteria used to determine independence)

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.

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.

[🔗 For more information on the Supervisory Board's activities and resolutions in the 2020 business year, see the Report of the Supervisory Board from page 203 onward](#)

[📄 For an individual overview of meeting attendance, see \[basf.com/supervisoryboard/meetings\]\(https://basf.com/supervisoryboard/meetings\)](#)
The Supervisory Board's Rules of Procedure and its committees can be found at basf.com/supervisoryboard

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 172 for the criteria used to determine independence)

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

■ Composition criteria: professional and personal qualifications, diversity, and independence

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

📄 [For more information on the Supervisory Board's competence profile, see basf.com/supervisoryboard](https://www.basf.com/supervisoryboard)

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.

[For more information on the statutory minimum quotas for the number of women and men on the Supervisory Board, see the following section](#)

[The independent Supervisory Board members are named under Management and Supervisory Boards from page 180 onward](#)

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

■ Minimum quota on Supervisory Board, target figures for Board of Executive Directors and top management

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.

[For more information on women in leadership positions in the BASF Group worldwide, see page 32](#)

[For more information on the inclusion of diversity, including promotion of women, see the chapter on Employees in the Management's Report on page 146](#)

[The November 2015 Employee Participation Agreement relevant to the composition of the Supervisory Board is available at \[basf.com/en/corporategovernance\]\(https://www.basf.com/en/corporategovernance\)](#)

Shareholders' rights

■ Shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting

■ One share, one vote

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 buybacks, 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 SE follows all recommendations of 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.

[The joint Declaration of Conformity 2020 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 210](#)

[For more information on the Declaration of Conformity 2020, the implementation of the Code's suggestions and the German Corporate Governance Code, see \[basf.com/en/corporategovernance\]\(https://www.basf.com/en/corporategovernance\)](#)

Disclosures according to section 315a(1) 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,

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)

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 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 315a(1) HGB refer to situations that are not applicable to BASF SE.

[For more information on bonds issued by BASF SE, see basf.com/bonds](https://www.basf.com/bonds)

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.

[An overview of the BASF shares held by individual members of the Board of Executive Directors can be found at basf.com/shares-held](https://www.basf.com/shares-held)

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.

[For more information on securities transactions reported in 2020, see \[basf.com/en/directorsdealings\]\(https://www.basf.com/en/directorsdealings\)](#)

Information on the auditor

The Annual Shareholders' Meeting of June 18, 2020, once again elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the BASF Group Consolidated Financial Statements and Separate Financial Statements of BASF SE for the 2020 business year, as well as the corresponding management's reports. KPMG member firms also audit the majority of BASF Group companies included in the Consolidated Financial Statements. KPMG has been the continuous auditor of BASF SE since the 2006 Financial Statements. A public call to tender was issued in 2015 to all auditors for the audit of the 2016 Consolidated and Separate Financial Statements, in line with the E.U. Regulation 537/2014 of April 16, 2014. Based on the results of the tendering process, the Audit Committee recommended to the Supervisory Board that it once again propose KPMG for election. After completing the tendering process, KPMG can now be

proposed for election at the Annual Shareholders' Meeting as BASF's auditor without further tendering processes up to and including the 2025 business year. Dr. Stephanie Dietz has been the auditor responsible for the Consolidated Financial Statements since auditing the 2020 Financial Statements. Since the 2020 Financial Statements, the auditor responsible for the Separate Financial Statements has been Stephan Kaiser. The total fee paid to KPMG and auditing firms of the KPMG group by BASF SE and other BASF Group companies for non-audit services, in addition to the auditing fee, was €1.2 million in 2020. This represents around 6.1% of the fees for auditing the financial statements.

[For more information, see Note 32 to the Consolidated Financial Statements on page 312](#)

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

- Integrated into corporate values
- Regular compliance training for employees
- New Code of Conduct "We are BASF"

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

The structure of BASF's Code of Conduct

<p>We Care</p> <ul style="list-style-type: none"> - Our Code of Conduct - How We Make Decisions - We Always Speak Up - We Lead Integrity 	<p>We Earn Trust</p> <ul style="list-style-type: none"> - Anti-Corruption - Trade Control - Anti-Money Laundering 	<p>We Play Fair</p> <ul style="list-style-type: none"> - Antitrust Laws - Gifts and Entertainment - Conflicts of Interest 	<p>We Respect</p> <ul style="list-style-type: none"> - Human Rights, Labor and Social Standards - Environmental Protection, Health and Safety 	<p>We protect</p> <ul style="list-style-type: none"> - Sensitive Company Information - Personal Data - Digital Responsibility - Company Property - Accurate Books and Records
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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

Code of Conduct
is the core of our Compliance Program

More than 42,000
Participants in compliance training

61 internal audits
conducted on compliance

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 play 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 the Supplier Code of Conduct and supplier assessments, see page 113 onward

📄 For more information on the Code of Conduct, see basf.com/code_of_conduct

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

For more information on tax principles, see basf.com/en/corporategovernance

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 (see page 172 for the criteria used to determine independence)

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 (see page 172 for the criteria used to determine independence)

¹ Shareholder representative

² Employee representative

³ Publicly listed

⁴ Not publicly listed

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 compensa-

tion 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.

[🔗 For more information on the Supervisory Board and its committees, see page 181 and from page 205 onward](#)

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 ^a
		Payment in equal instalments	
	2. Fringe benefits	Annual target	€50,000 ^a
		Cap	€100,000 ^b corresponds to 200% of the annual target amount
	3. Company pension benefits	Annual target	€500,000 ^a
		Fixed annual pension contribution	
Performance-related compensation	4. Short-term incentive (STI) with one-year performance period	Annual target	€1,000,000 ^a
		Cap	€2,000,000 ^a 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 ^a
		Cap	€2,800,000 ^a corresponds to 200% of the annual target amount
		Payment after the Annual Shareholders' Meeting following the four-year performance period	

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

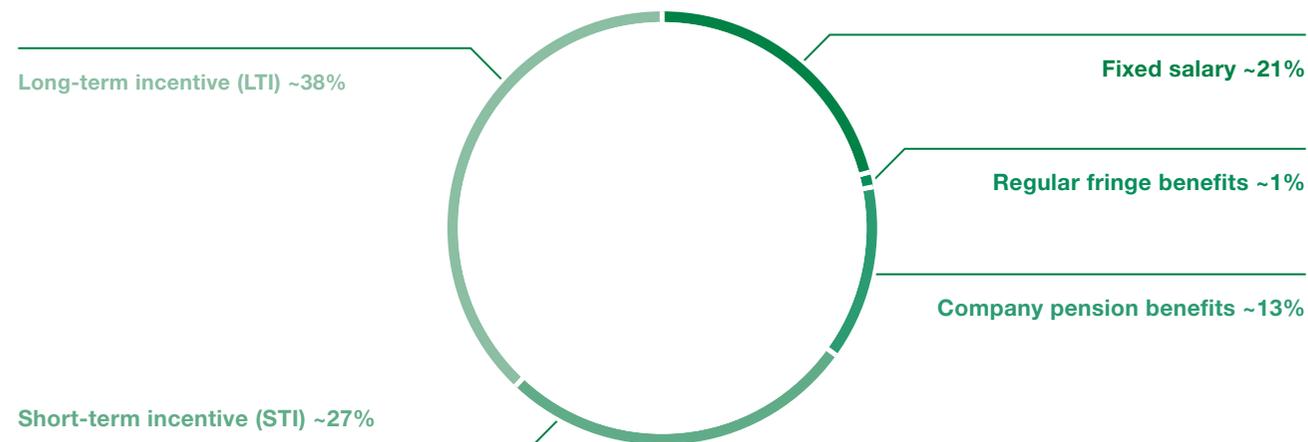
^b The amount represents the target or maximum amount for the 2020 fiscal year for regularly granted fringe benefits. If one-off fringe benefits and/or transfer-related fringe benefits are granted in individual cases, the maximum amounts specified for this also apply.

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 remuneration^a



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

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.

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

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.

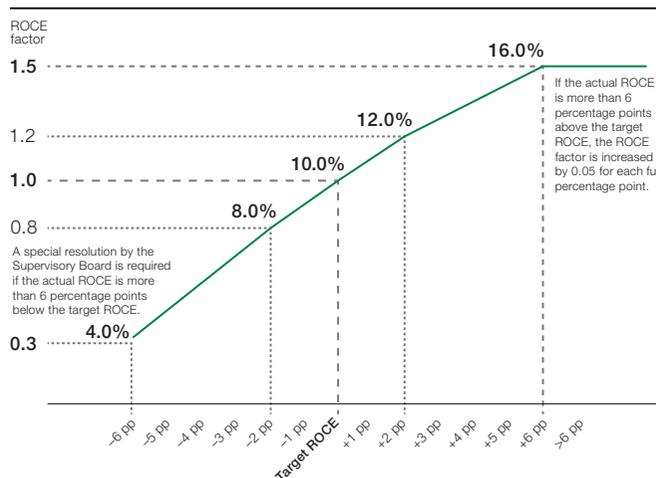
For each fiscal year, an STI with a one-year performance period is granted. The STI is based on the achievement of operational and strategic goals as well as the return on capital employed (ROCE), which is relevant for the compensation of all employees. The actual STI amount is paid out after the Annual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

For more information on operating assets, see Value-Based Management on page 33

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.

ROCE factor



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 and 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).

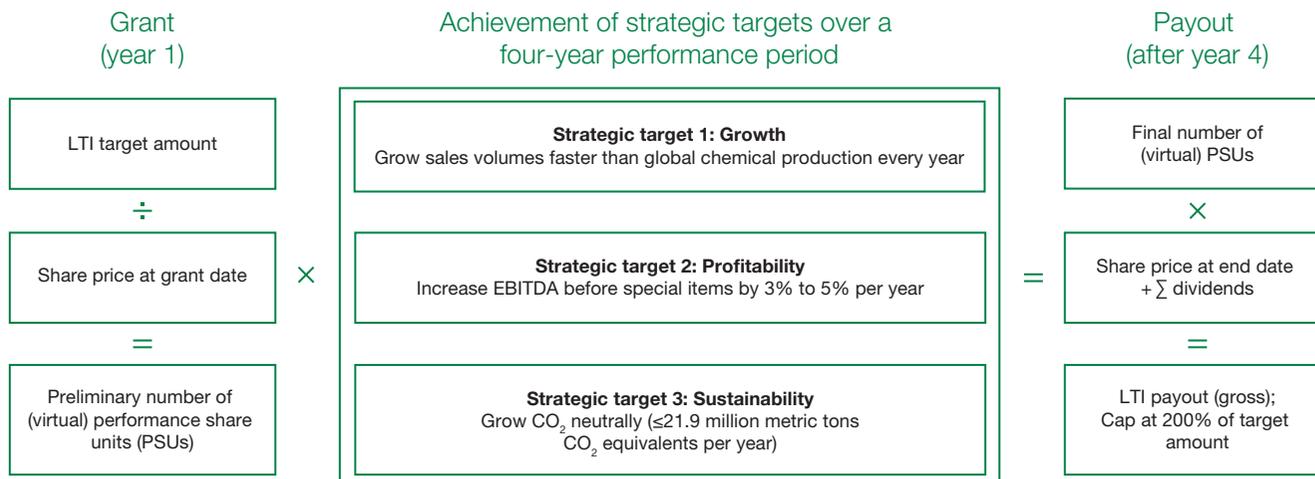
For more information on the determination of the cost of capital percentage, see Value-Based Management on page 33

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.

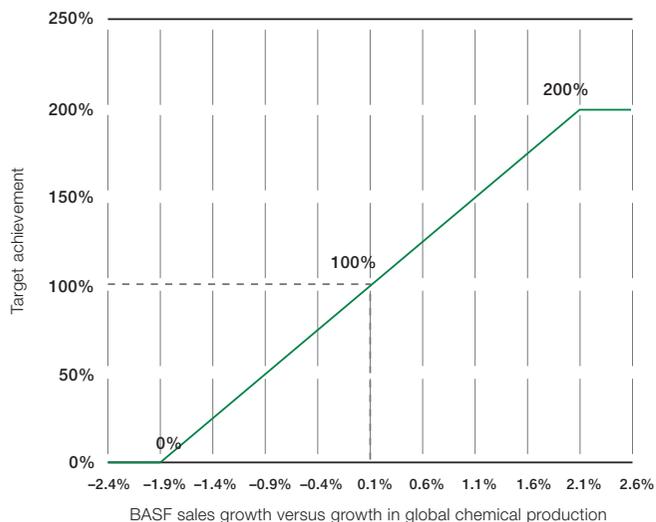
Payout: The final number of PSUs determined in this way is multiplied by the average share price of the BASF share in the fourth quarter of the last year of the four-year performance period plus the cumulative dividend payments in the four fiscal years of the performance period. The payout amount of 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.

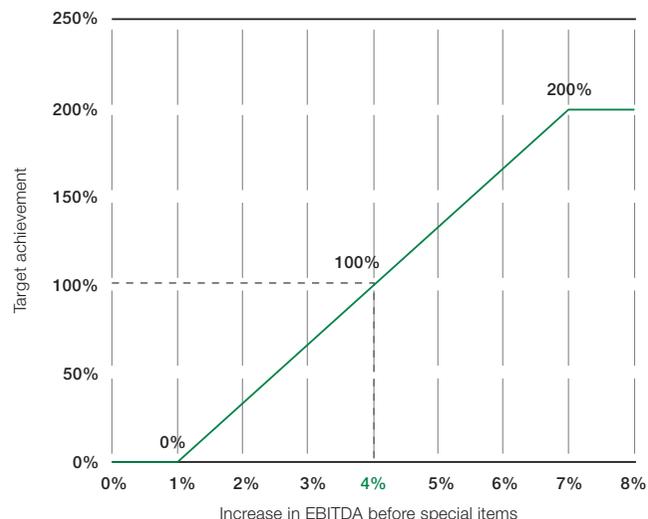
For the LTI plan 2020 (performance period 2020–2023) the following targets as communicated by the BASF corporate strategy (see BASF Report 2019, page 27) apply:

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



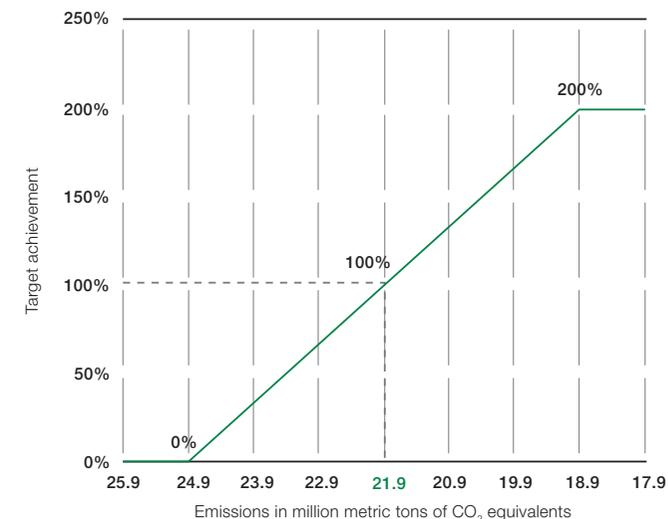
- The target is 100% achieved if BASF grows 0.1 percentage points faster than global chemical production (**target value**).
- If this target value is undercut by two percentage points or more, the target achievement is 0% (**minimum value**).
- If the target value is exceeded by two percentage points 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 ^a	50,000	100,000 ^a	50,000	100,000 ^a
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 ^b	1,330,000	2,660,000 ^b	2,000,000	4,000,000 ^b
LTI amount	1,400,000	2,800,000 ^b	1,862,000	3,724,000 ^b	2,800,000	5,600,000 ^b
Total compensation 2020	3,750,000	6,200,000^c	4,971,000	8,213,000^c	7,450,000	12,300,000^c

^a 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.

^b Corresponds to 200% of the annual target amount

^c 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 ^a	9,975,000 ^a	15,000,000 ^a

^a 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.

[🔗 For more information on the LTI program, see page 149 and page 310](#)

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	Actual 2020	Target achievement in %
Grow sales volumes faster than global chemical production every year	(in %)	–0.4	–0.5	90 ^a
Increase EBITDA before special items by 3% to 5% per year	(in %)	4.0	–9.5 ^b	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

^a 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.

^b Based on the original baseline value for EBITDA before special items of €8,217 million 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 com-

pensation (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 314(1) no. 6a 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 Bruder Müller Chairman of the Board of Executive Directors				Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors				Saori Dubourg			
	2019	2020	2020 (min.)	2020 (max.)	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	800	800	800	800
Fringe benefits	60	56	56	700	69	62	62	633	356	494	494	600
Regularly provided fringe benefits	60	56	56	100	69	62	62	100	59	62	62	100
Event-related fringe benefits	–	–	–	600	–	–	–	533	297	432	432	500
Delegation-related fringe benefits ^a	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,660	1,656	1,656	2,300	1,133	1,126	1,126	1,697	1,156	1,294	1,294	1,400
One-year variable compensation	1,600	2,000	0	4,000	1,064	1,330	0	2,660	800	1,000	0	2,000
50% of the 2019 performance bonus (2019–2022)	1,600	–	–	–	1,064	–	–	–	800	–	–	–
Short-term incentive 2020	–	2,000	0	4,000	–	1,330	0	2,660	–	1,000	0	2,000
Multiple-year variable compensation	2,346	3,348	0	8,507	1,577	2,226	0	5,657	1,001	1,674	0	4,254
50% of the 2019 performance bonus (2019–2022), deferral component	1,600	–	–	–	1,064	–	–	–	800	–	–	–
LTI program 2019 (2019–2027)	746	–	–	–	513	–	–	–	201	–	–	–
LTI program 2020 (2020–2028) ^b	–	548	0	2,907	–	364	0	1,933	–	274	0	1,454
LTI performance share plan 2020 (2020–2023)	–	2,800	0	5,600	–	1,862	0	3,724	–	1,400	0	2,800
Total	5,606	7,004	1,656	14,807	3,774	4,682	1,126	10,014	2,957	3,968	1,294	7,654
Company pension benefits	573	1,000	1,000	1,000	366	665	665	665	704	500	500	500
Service cost	573	–	–	–	366	–	–	–	704	–	–	–
Pension contribution / pension allowance	–	1,000	1,000	1,000	–	665	665	665	–	500	500	500
Total compensation in accordance with GCGC 2017	6,179	8,004	2,656	15,807	4,140	5,347	1,791	10,679	3,661	4,468	1,794	8,154
Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17												
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components)	–3,200	–	–	–	–2,128	–	–	–	–1,600	–	–	–
Less granted short-term incentive 2020	–	–2,000	–	–	–	–1,330	–	–	–	–1,000	–	–
Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023)	–	–69	–	–	–	–46	–	–	–	–34	–	–
Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020	–	–80	–	–	–	–53	–	–	–	–40	–	–
Plus allocated actual annual variable compensation (performance bonus, part 1)	969	–	–	–	644	–	–	–	485	–	–	–
Plus allocated actual annual variable compensation (short-term incentive 2020)	–	570	–	–	–	379	–	–	–	285	–	–
Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	–	–	–
Less service cost	–573	–	–	–	–366	–	–	–	–704	–	–	–
Less pension contribution / pension allowance	–	–1,000	–	–	–	–665	–	–	–	–500	–	–
Total compensation	3,375	5,425	–	–	2,290	3,632	–	–	1,842	3,179	–	–

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

^b 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.

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

^d 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 €

	Michael Heinz				Dr. Markus Kamieth				Wayne T. Smith			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	800	800	800	800	800	800 ^c						
Fringe benefits	36	40	40	600	46	593	593	3,600	340	323	323	3,600
Regularly provided fringe benefits	36	40	40	100	46	36	36	100	28	19	19	100
Event-related fringe benefits	–	–	–	500	–	–	–	500	–	–	–	500
Delegation-related fringe benefits ^a	–	–	–	–	–	557	557	3,000	312	304	304	3,000
Total	836	840	840	1,400	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	800	1,000	0	2,000
50% of the 2019 performance bonus (2019–2022)	800	–	–	–	800	–	–	–	800	–	–	–
Short-term incentive 2020	–	1,000	0	2,000	–	1,000	0	2,000	–	1,000	0	2,000
Multiple-year variable compensation	1,221	1,674	0	4,254	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	–	–	–	800	–	–	–
LTI program 2019 (2019–2027)	421	–	–	–	421	–	–	–	512	–	–	–
LTI program 2020 (2020–2028) ^b	–	274	0	1,454	–	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	–	1,400	0	2,800
Total	2,857	3,514	840	7,654	2,867	4,067	1,393	10,654	3,252	3,859	1,123	10,654
Company pension benefits	387	500	500	500	699	500	500	500	491	500	500	500
Service cost	387	–	–	–	699	–	–	–	491	–	–	–
Pension contribution / pension allowance	–	500	500	500	–	500	500	500	–	500 ^d	500 ^d	500 ^d
Total compensation in accordance with GCGC 2017	3,244	4,014	1,340	8,154	3,566	4,567	1,893	11,154	3,743	4,359	1,623	11,154
Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17												
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components)	–1,600	–	–	–	–1,600	–	–	–	–1,600	–	–	–
Less granted short-term incentive 2020	–	–1,000	–	–	–	–1,000	–	–	–	–1,000	–	–
Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023)	–	–34	–	–	–	–34	–	–	–	–34	–	–
Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020	–	–40	–	–	–	–40	–	–	–	–40	–	–
Plus allocated actual annual variable compensation (performance bonus, part 1)	485	–	–	–	485	–	–	–	485	–	–	–
Plus allocated actual annual variable compensation (short-term incentive 2020)	–	285	–	–	–	285	–	–	–	285	–	–
Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	431	–	–
Less service cost	–387	–	–	–	–699	–	–	–	–491	–	–	–
Less pension contribution / pension allowance	–	–500	–	–	–	–500	–	–	–	–500	–	–
Total compensation	1,742	2,725	–	–	1,752	3,278	–	–	2,137	3,501	–	–

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

^b 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.

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

^d 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 "Compensation allocated in accordance with the German Corporate Governance Code (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 Bruder Müller Chairman of the Board of Executive Directors		Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors		Saori Dubourg		Michael Heinz		Dr. Markus Kamieth		Wayne T. Smith	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Fixed salary ^a	1,600	1,520	1,064	1,011	800	760	800	760	800	760 ^d	800 ^d	760 ^d
Fringe benefits	60	56	69	62	356	494	36	40	46	593	340	323
Regularly provided fringe benefits	60	56	69	62	59	62	36	40	46	36	28	19
Event-related fringe benefits	–	–	–	–	297	432	–	–	–	–	–	–
Delegation-related fringe benefits	–	–	–	–	–	–	–	–	–	557	312	304
Total	1,660	1,576	1,133	1,073	1,156	1,254	836	800	846	1,353	1,140	1,083
One-year variable compensation	969	570	644	379	485	285	485	285	485	285	485	285
Performance bonus 2019 (2019–2022), part 1 ^b	969	–	644	–	485	–	485	–	485	–	485	–
Short-term incentive 2020 ^c	–	570	–	379	–	285	–	285	–	285	–	285
Multiple-year variable compensation	–	–	–	–	–	–	–	–	–	–	–	431
LTI 2011 (2011–2019)	–	–	–	–	–	–	–	–	–	–	–	–
LTI 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	–	–	431 ^e
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	1,321	1,085	1,331	1,638	1,625	1,799
Company pension benefits	573	1,000	366	665	704	500	387	500	699	500	491	500
Service cost	573	–	366	–	704	–	387	–	699	–	491	–
Pension contribution / pension allowance	–	1,000	–	665	–	500	–	500	–	500	–	500 ^f
Total compensation in accordance with GCGC 2017	3,202	3,146	2,143	2,117	2,345	2,039	1,708	1,585	2,030	2,138	2,116	2,299

^a 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.

^b 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).

^c 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.

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

^e 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.

^f 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	160,812^a

^a 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 €642 thousand; Dr. Hans-Ulrich Engel: expense of €427 thousand; Saori Dubourg: expense of €321 thousand; Michael Heinz: expense of €321 thousand; Dr. Markus Kamieth: expense of €321 thousand; Wayne T. Smith: expense of €909 thousand.

[For more information on the LTI program, see page 149 and from page 310 onward](#)

Company pension benefits

The values 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 GCGC 2017" and "Compensation allocated 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).

Present value of the defined benefit obligation

Thousand €	2020	2019
Dr. Martin Brudermüller	19,490	18,171
Saori Dubourg	6,611	6,983
Dr. Hans-Ulrich Engel	16,219	14,081
Michael Heinz	16,253	15,201
Dr. Markus Kamieth	7,100	5,797
Wayne T. Smith	6,417	6,251
Total	72,090	66,484^a

^a 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 €4,824 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 ^a	2.0	–
Total	12.5	11.5

^a 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 €209.0 million (2019: €198.2 million).

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary: €200,000^a
- 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: €12,500^b; Audit Committee: €50,000^b
- No additional compensation is paid for the Nomination Committee.
- Voluntary relinquishment of 20% of fixed compensation as of the second quarter of 2020.

^a 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.

^b 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 ^{a, b}	225.0	500.0	25.0	50.0	250.0	550.0
Dr. Kurt Bock, chair since June 18, 2020 ^{c, d}	233.3	–	29.2	–	262.5	–
Michael Diekmann, vice chair until May 3, 2019 ^e	–	125.0	–	13.0	–	138.0
Franz Fehrenbach, vice chair since May 3, 2019 ^{f, g}	255.0	266.7	33.3	66.6	288.3	333.3
Sinischa Horvat, vice chair ^h	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 ⁱ	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 ^j	170.0	200.0	50.0	50.0	220.0	250.0
Waldemar Helber ^k	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 ^l	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 ^{h, l}	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

^a Chair of the Personnel Committee until June 18, 2020

^b Chair of the Strategy Committee until June 18, 2020

^c Chair of the Personnel Committee since June 18, 2020

^d Chair of the Strategy Committee since June 18, 2020

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

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

^g Member of the Audit Committee until February 29, 2020

^h Member of the Personnel and Strategy Committees

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

^j Member of the Audit Committee

^k Member of the Strategy Committee

^l 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 on the left.

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.

[For more information on share ownership by members of the Supervisory Board, see page 175](#)

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 macroeconomic 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 compensation of the Board of Executive Directors and the Supervisory Board, see the Compensation Report on pages 183 to 202](#)

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.

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 170 to 171](#)

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 nonfinancial 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.

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 210 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 172. 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 214 onward](#)

[For more information on the auditor, see the Corporate Governance Report on page 176](#)

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 \[basf.com/nfs-audit-2020\]\(https://www.basf.com/nfs-audit-2020\)](#)

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 173](#)

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



Dr. Kurt Bock
Chairman of the Supervisory Board

Declaration of Conformity Pursuant to Section 161 AktG

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

Declaration of Corporate Governance

Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB¹

The Declaration of Corporate Governance, pursuant to section 315d HGB in connection with section 289f HGB, comprises the subchapters Corporate Governance Report including the description of the diversity concept for the composition of the Board of Executive Directors and the Supervisory Board (except for the disclosures pursuant to section 315a(1) HGB), Compliance and Declaration of Conformity as per section 161 of the German Stock Corporation Act (AktG) in the Corporate Governance chapter. It is a component of the Management's Report.

Pursuant to section 317(2) sentence 6 HGB, the auditor checked that the disclosures according to section 315d HGB were made.

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)