

# **BASF SE**

# **Financial Statements 2019**

# **and Management's Report**



We create chemistry

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# Management's Report of BASF SE<sup>1</sup>

## Corporate structure

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

As of January 1, 2019, the BASF Group's portfolio is divided into the Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions segments. Within these six segments, 11 divisions bear operational responsibility and are organized according to sectors or products.<sup>2</sup> They manage the 54 global and regional business units and develop strategies for the 76 strategic business units. BASF has companies in more than 90 countries. The BASF Group operates six Verbund sites and 361 additional production sites worldwide.

The operating business of BASF SE represents a portion of the BASF Group's global business and is managed and steered by the respective divisions and business units as well as the functional and corporate units based on the performance indicators of the BASF Group. These units provide services in areas such as finance, investor relations, communications, human resources, engineering and site management, as well as environmental protection, health and safety.

Ten of the 11 operating divisions have production plants at the BASF SE site in Ludwigshafen, Germany. This underscores the importance of this Verbund site for the BASF Group. From Ludwigshafen, BASF SE supplies products and services to around 9,200 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

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

BASF SE had 34,896 employees on December 31, 2019, of which 4,302 in Research and Development.

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

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

## Organizational realignment as of January 1, 2020

BASF has created the conditions for greater customer proximity, increased competitiveness and profitable growth with an organizational realignment as part of the implementation of its strategy. We are streamlining our administration, sharpening the roles of services and regions, and simplifying procedures and processes as part of our ongoing Excellence Program. Customer-focused operating divisions, cross-functional service units and regions as well as a lean Corporate Center are the cornerstones of the new organization.

The Corporate Center units support the Board of Executive Directors in steering the company as a whole. These include central tasks from the following areas: strategy; finance; law, compliance and tax; environmental protection, health and safety; human resources; communications; investor relations and internal audit.

In addition, four global service units were established: Global Engineering Services and Global Digital Services offer services for individual sites, globally for the divisions or other units of the BASF Group. Global Procurement makes purchasing even more effective. The newly established Global Business Services unit will be a global, flexible and demand-driven service unit that strengthens the competitiveness of the divisions and provides services in areas such as finance, human resources, environmental protection, health and safety, intellectual property, communications, supply chain and consulting.

The role of regions and countries is being sharpened. Going forward, they will primarily represent BASF locally and even better support the growth of business units with local proximity to customers.

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

The nonfinancial statement in accordance with sections 289b to 289e HGB can be found on pages 7 to 29 and are a part of the Management's Report. Within the scope of the audit of the annual financial statements, the external auditor KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a substantive audit with limited assurance of the NFS. A report on this substantive audit can be found online at [basf.com/nfs-audit-2019/basf-se](https://basf.com/nfs-audit-2019/basf-se). The audit was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international auditing standards for sustainability reporting.

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

<sup>2</sup> On December 21, 2019, BASF and an affiliate of Lone Star signed an agreement on the sale of BASF's construction chemicals business. Since the agreement was signed, we have no longer reported on BASF's construction chemicals business as a separate division.

## Accounting principles

The Financial Statements of BASF SE are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

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

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

The Corporate Governance Statement in accordance with section 289f HGB, printed on pages 39 to 48 (Corporate Governance Report, Compliance, Declaration of Conformity), is an element of the Management's Report. The audit of the disclosures required by section 289f(2) and (5) HGB pursuant to section 317(2) sentence 6 HGB is limited to whether the disclosures have been made.

## Economic environment

Global economic growth in 2019 was weaker than we forecast at the beginning of the year.<sup>1</sup> Industrial production in particular remained well below our expectations. Against a background of high political uncertainty and mounting trade barriers, global gross domestic product (GDP) only rose by 2.6%, considerably slower than in 2018 (+3.2%). Growth in the industry as a whole declined at a much faster rate to only 1.5% (2018: +3.1%). As a result, growth in chemical production (excluding pharmaceuticals) was also considerably slower than in the previous year, at 1.8% (2018: +2.8%). The average price for a barrel of Brent crude oil decreased to \$64 per barrel (2018: \$71 per barrel).

Global industrial production grew by only 1.5% in 2019, roughly half as strongly as in 2018 (+3.1%). Production declined overall in the advanced economies (2019: -0.5%, 2018: +1.8%). Growth in the emerging markets weakened considerably (2019: +3.4%, 2018: +4.4%).

Industrial production was largely stagnant in the E.U. (2019: -0.3%, 2018: +1.4%) and the United States (2019: -0.1%, 2018: +2.7%). By contrast, this declined in Japan (2019: -1.7%, 2018: +0.8%) and South America (2019: -1.3%, 2018: +0.5%). The gradual slowdown in China continued, with industrial growth declining from 5.8% in the previous year to 5.7%. In the remaining emerging markets of Asia, growth fell from 5.3% to only 2.6%. One of the key drivers here was below-average momentum in India (2019: +3.9%, 2018: +6.0%).

The global chemical industry (excluding pharmaceuticals) grew by only 1.8%, well below our expectations (+2.7%) and the 2018 figure (+2.8%). Chemical production in the E.U. declined for the second year in a row (2019: -1.1%, 2018: -0.4%). We had forecast stagnation here (+0.1%).

The year-on-year change was particularly pronounced in the United States (2019: -0.4%, 2018: +4.1%). Consequently, our forecast for 2019 (+3.2%) was also significantly undershot. The drop in growth there was mainly attributable to weak domestic demand from the automotive industry, agriculture and the construction industry. In addition, U.S. chemical exports to China fell significantly as a result of the trade conflict. In South America, too, chemical production declined by 2.0% amid a weak overall economic environment (2018: -0.6%).

By contrast, chemical production in the emerging markets of Asia grew by 4.0%, slightly stronger than expected (+3.6%). This was primarily driven by continued solid growth in China (+4.7%). Chemical production in the remaining emerging markets in the region only rose by 1.1% (2018: +2.7%). By contrast, Japan saw a decline of 0.4%.

<sup>1</sup> All information relating to past years in this section can deviate from the previous year's report due to statistic revisions.

## Business Development

### Results of operations

Million €	2019	2018
<b>Sales revenue</b>	<b>22,185</b>	<b>23,587</b>
<b>Gross profit on sales</b>	<b>4,631</b>	<b>4,567</b>
<b>Income from operations (EBIT)</b>	<b>(47)</b>	<b>579</b>
Income from shareholdings	4,135	3,525
Interest result	(116)	(1,016)
Other financial result	40	105
<b>Financial result</b>	<b>4,059</b>	<b>2,614</b>
<b>Income before income taxes</b>	<b>4,012</b>	<b>3,193</b>
<b>Net income</b>	<b>3,899</b>	<b>2,982</b>

### Sales

Million €	2019	2018
<b>Regions</b>		
Europe	15,963	17,500
of which Germany	5,385	5,992
North America	1,706	1,747
Asia Pacific	2,803	2,767
South America, Africa, Middle East	1,713	1,573
	<b>22,185</b>	<b>23,587</b>

### Income from operations

BASF SE's sales declined by 5.9% year on year to €22,185 million in 2019, contrary to our forecast from the previous year of a slight increase in sales. Sales decreased in the operating business, mainly due to lower sales volumes and lower sales prices. Margins improved as a result of lower raw materials prices compared with the previous year despite lower capacity utilization rates for the production plants. Consequently, gross profit on sales rose by €64 million year on year to €4,631 million.

Income from operations decreased by €626 million to minus €47 million, in line with our prior-year forecast of considerably lower earnings. Selling expenses declined by €58 million, primarily due to lower commissions following a change to the business models. Administrative costs were €17 million below the prior-year level. In addition, research expenses decreased by €57 million, primarily as a result of lower expenditure for exploratory research. The balance of other operating income and expenses declined by €822 million compared with the previous year. Expenses of around €300 million were recognized in the reporting year in connection with the implementation of the updated corporate strategy, mainly for restructuring measures. The foreign currency result declined by €46 million in the reporting year. Income from insurance refunds amounted to €58 million (previous year: €452 million) and primarily related to damages to a production plant in 2017. Income from the release of provisions for share price-based variable compensation (LTI program) declined by

€144 million year on year to €1 million, and income from the reversal of valuation allowances on trade accounts receivable decreased by €74 million compared with the previous year to €1 million. Income of €46 million from a contractually agreed compensation payment was recognized in the reporting year. Moreover, transactions such as the merger of the paper and water chemicals business with Solenis led to higher income from portfolio measures compared with the previous year.

### Financial result

The financial result rose by €1,445 million to €4,059 million. The increase in income from shareholdings was mainly due to higher dividends from affiliated companies and the €984 million gain on the disposal of a shareholding. Lower profit transfers in the reporting year had an offsetting effect. The higher interest result was due to income from pension plan assets, which was partially offset by higher interest expenses for pension obligations.

### Net income

At €4,012 million, income before income taxes was €819 million above the prior-year level. Income taxes declined by €98 million to €113 million in the reporting year. The change in deferred tax assets and liabilities resulted in tax income of €18 million in the current fiscal year (previous year: €63 million). In addition, current income tax expenses decreased by €143 million as a result of lower income at BASF SE and its tax group companies. Additions to tax provisions for previous years had an offsetting effect.

Net income rose by €917 million year on year to €3,899 million in 2019.

## Net assets and financial position

	2019		2018	
	Million €	%	Million €	%
Fixed assets	27,222	49.3	24,912	49.7
Current assets and other assets	27,990	50.7	25,219	50.3
<b>Total assets</b>	<b>55,212</b>	<b>100.0</b>	<b>50,131</b>	<b>100.0</b>
Equity	18,298	33.1	17,338	34.6
Provisions	1,875	3.4	2,052	4.1
Liabilities and other liabilities	35,039	63.5	30,741	61.3
<b>Total equity and liabilities</b>	<b>55,212</b>	<b>100.0</b>	<b>50,131</b>	<b>100.0</b>

## Net assets

Total assets rose by €5,081 million or 10.1% to €55,212 million.

The €2,310 million increase in fixed assets was largely attributable to financial assets, which rose by €2,179 million as a result of capital increases at subsidiaries. Property, plant and equipment rose by €250 million due to higher investments, mainly for the construction of the new acetylene plant and the expansion of the vitamin A plant at the Ludwigshafen site in Germany, and exceeded depreciation and impairment. By contrast, intangible assets declined by €119 million, primarily due to higher amortization of goodwill and trademark rights.

Current assets and other assets increased by €2,771 million. Receivables from affiliated companies rose by €2,694 million, mainly from financial investments within the Group, and miscellaneous receivables and other assets increased by €135 million. By contrast, trade accounts receivable declined by €354 million. Income from pension plan assets, which more than offset the increase in pension obligations, led to an excess of plan assets over obligations of €206 million (previous year: provisions for pensions and similar obligations of €152 million).

The €960 million increase in equity was due to the net income of €3,899 million, which exceeded the dividends paid for the 2018 fiscal year (€2,939 million).

In addition to the change in provisions for pensions and similar obligations described above, tax provisions accounted for €64 million of the €177 million decrease in provisions. The €35 million increase in other provisions had an offsetting effect.

Liabilities and other liabilities rose by €4,298 million. Liabilities to affiliated companies increased by €6,682 million, mainly from intra-group borrowing, while financial indebtedness declined by a total of €2,742 million due to the repayment of commercial paper and bonds.

## Financial position

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Cash of €4,883 million was generated by operating activities in the reporting year (previous year: €3,448 million). Cash flows in the year under review reflected the increase in income from profit transfers in the previous year. Net income rose by €917 million to €3,899 million, due among other factors to disposal gains from shareholdings allocated to investing activities.

Cash used in investing activities amounted to €6,111 million (previous year: €5,143 million). Alongside higher investments in fixed assets and capital increases at subsidiaries, financial investments within the Group rose. Higher revenues from the disposal of shareholdings had an offsetting effect.

Financing activities led to a cash inflow of €1,180 million (previous year: outflow of €2,170 million). Intragroup borrowing exceeded the dividend payment and the repayment of financial indebtedness.

In total, liquid funds declined by €48 million to €970 million. This comprises cash on hand and balances with banks.

## Principles and objectives of our financial management

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

Rated A2/P-1/outlook stable by Moody's and A/A-1/outlook stable by Standard & Poor's, BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. Moody's awarded its latest rating on November 4, 2019, and Standard & Poor's most recently confirmed its rating on November 13, 2019. The contract with Scope Ratings expired at the beginning of September 2019 and was not extended by BASF.

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

For short-term financing, we use BASF SE's U.S. dollar commercial paper program, which has an issuing volume of up to \$12.5 billion. As of December 31, 2019, commercial paper with a nominal value of \$968 million was outstanding under this program, compared with \$2,922 million as of the previous year-end. A firmly committed, syndicated credit line of €6 billion was taken out in January 2019 to cover the repayment of outstanding commercial paper. It can also be used for general company purposes. This credit line was not used at any point in 2019. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

## Digitalization and Innovation

### Digitalization

Digitalization is an integral part of our business: It creates additional value for our customers, grows our business and improves efficiency.<sup>1</sup> We comprehensively promote digital skills among our employees to ensure that we can always access the necessary resources and best harness the opportunities of digitalization to the benefit of our customers.

### Innovation

A growing need for food, energy and clean water for a booming world population, limited resources and protecting the climate – reconciling all these factors is the greatest challenge of our time. Innovations based on chemistry play a key role here, as they contribute decisively to new solutions. Effective and efficient research and development is a prerequisite for innovation as well as an important growth engine for BASF. We develop innovative processes, technologies and products for a sustainable future and drive forward digitalization in research worldwide. This is how we ensure our long-term business success with chemistry-based solutions for our customers in almost all industry sectors.

Our global network of outstanding universities, research institutes and companies forms an important part of our Know-How Verbund.<sup>1</sup> Our focus is on the development of value-adding innovations for our customers to secure our long-term competitiveness. Under our updated strategy, we have brought research and development even closer together from an organizational perspective, and thus better aligned with the needs of our customers. Our aim is to continue to shorten the time to market and accelerate the company's organic growth. A strong customer focus, digitalization, creativity, efficiency and collaboration with external partners are among the most important success factors here. In order to bring promising ideas to market as quickly as possible, we regularly assess our research projects using a multistep process and prioritize our focus areas accordingly.

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

The Ludwigshafen site in Germany is and will remain the largest in our Research Verbund.<sup>1</sup> This was once again underlined with the investment in a new research center, which was opened in 2019. It houses highly automated experimental facilities for new process development and testing process catalysts.

In addition, three state-of-the-art electron microscopes started operation in Ludwigshafen in 2019. These particularly benefit research in inorganic material systems, such as catalyst and battery research.<sup>1</sup>

The number and quality of our patents also attest to our power of innovation and long-term competitiveness. In 2019, we filed around 1,000 new patents worldwide.

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

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

BASF SE had 4,302 employees in research and development in 2019. Spending for research and development amounted to €1,292 million.

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



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

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

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

## Business model

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

## Integration of Sustainability

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

### Strategy

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

Based on our corporate strategy and the global targets derived from this, from the 2020 business year onward, we will integrate the sustainability targets (CO<sub>2</sub>-neutral growth until 2030 and achieve €22 billion in Accelerator sales by 2025) into short-term Group-level steering as well, as most important key performance indicators. We started to establish the necessary steering mechanisms and control systems in 2019.

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

We help our customers to be more sustainable and develop sustainable solutions to grow our customer relationships and attract new customers. One example of this is the ChemCycling™ project to drive forward chemical recycling of plastic waste and in this way, strengthen the circular economy for plastics. We want to promote societal acceptance of our business activities by acting in a responsible, resource-conserving, respectful, safe and efficient way.

Our products, solutions and technologies help to achieve the United Nations' Sustainable Development Goals (SDGs), for example through climate protection measures. We also contribute to other goals, such as No poverty (SDG 1) and Zero hunger (SDG 2), Good health and well-being (SDG 3), and Clean water and sanitation (SDG 6).

In 2019, we updated our materiality analysis, which is used to identify and evaluate sustainability topics. We evaluated the impact of these topics on our business, the relevance of these topics for our stakeholders and the impact that BASF has on individual topics. Based on this analysis, our material topics include climate and energy, health and safety/product stewardship, and human rights. We integrate these material topics into our long-term steering and

operational management processes. They are also reflected in the focus areas for our reporting. We continuously monitor and assess emerging sustainability topics so that we can adapt steering and management processes as needed.

We are constantly working to broaden our positive impact on key sustainability topics and reduce the negative impact of our business activities. The integration of sustainability into core business activities and decision-making processes is steered by the Corporate Development unit, which is part of the Corporate Center as of 2020. From 2020 onward, we will also bundle the global steering of climate-related matters in this unit, such as the coordination of measures to reach our climate protection target. The Board of Executive Directors is regularly informed of the current status of individual sustainability topics as well as of sustainability assessments as part of other business processes (such as investment plans), makes decisions on these with strategic relevance for the Group, and monitors the implementation of strategic plans and target achievement. The Corporate Sustainability Board, which is composed of the heads of business, corporate and functional units, and regions, supports the Board of Executive Directors on sustainability topics and discusses operational matters. A member of the Board of Executive Directors serves as chair.

We also established an external, independent Stakeholder Advisory Council in 2013. Here, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors, helping us expand our strengths and address potential for improvement.

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

For more information on compensation structures, see the Compensation Report on page 49 onward

For more information on our risk management, see page 30 onward

For more information on our financial and sustainability targets, see [basf.com/strategy](https://basf.com/strategy)

For more information on our material topics, see [basf.com/materiality](https://basf.com/materiality)

For more information on the organization of our sustainability management, see [basf.com/sustainabilitymanagement](https://basf.com/sustainabilitymanagement)

### Global standards

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

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

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

### **Harnessing business opportunities and measuring value added by sustainability**

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

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

To achieve this, we need to even better understand how our actions impact society and the environment. We already have many years of experience of this from evaluating our products and processes using methods such as Eco-Efficiency Analysis, the Sustainable Solution Steering portfolio analysis, or BASF's corporate carbon footprint. The methodology of the SEEBalance® analysis to evaluate the sustainability of different product and process alternatives was enhanced and refined in 2019. The social analysis component now contains two modules, which we use to assess social risks along the value chain and identify negative impacts on the United Nations' Sustainable Development Goals.

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

In 2019, we founded the value balancing alliance e.V. together with other international companies. With the support of major auditing firms, the Organisation for Economic Co-operation and Development (OECD), leading universities and other partners, the cross-industry alliance aims to develop an accounting and reporting standard within the next three years that makes the value companies provide to society transparent and comparable. The aim is to present the financial, ecological, and social impacts of business activities in monetary terms on the basis of a standardized, uniform framework.

For more information on this method and the results of Value to Society, see [basf.com/en/value-to-society](https://basf.com/en/value-to-society)

For more information on our sustainability tools, see [basf.com/en/measurement-methods](https://basf.com/en/measurement-methods)

For more information on value balancing alliance e.V., see [value-balancing.com](https://value-balancing.com)

### **Portfolio management based on sustainability performance**

A significant steering tool for our product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method. By the end of the 2019 business year, sustainability analyses and assessments had been conducted for 96.3% of the Group's relevant portfolio<sup>1</sup> of more than 50,000 specific product applications, accounting for €51.9 billion in sales.<sup>2</sup> These consider the products' application in various markets and sectors. New market requirements arise as a result of the continuous development of new product solutions in the industry or changing regulatory frameworks. This has an effect on comparative assessments, which is why we regularly re-assess our product portfolio.

Transparently classifying our products on the basis of their contribution to sustainability enables us to systematically improve them. Accelerator products make a substantial sustainability contribution in the value chain. Based on our corporate strategy, we have therefore set ourselves a global target: We aim to make sustainability an even greater part of our innovation power and achieve €22 billion in Accelerator sales Group-wide by 2025. Group-wide, BASF achieved sales of €15.0 billion with Accelerator products in 2019 (2018: €14.3 billion).<sup>2</sup> The construction chemicals activities, which are presented as discontinued operations, are no longer taken into account. The resulting decline in sales of Accelerator products was however offset by the first-time assessment of the strategically relevant trading business portfolio. At the same time, this first-time segmentation increased sales of Transitioner products.

If, during re-assessment of our portfolio, we identify products with substantial sustainability concerns, we classify these as "Challenged." We develop and implement action plans for all products in this category. These action plans include research projects and reformulations to optimize products, or even replacing the product with an alternative.

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

For more information on Sustainable Solution Steering, see [basf.com/en/sustainable-solution-steering](https://basf.com/en/sustainable-solution-steering)

<sup>1</sup> The relevant portfolio is defined in the Sustainable Solution Steering Manual at [basf.com/en/sustainable-solution-steering](https://basf.com/en/sustainable-solution-steering)

<sup>2</sup> Excluding the construction chemicals activities presented as discontinued operations; the figures for 2018 have been adjusted accordingly

## Stakeholder engagement

Our stakeholders include customers, employees, suppliers and investors, as well as representatives from academia, industry, politics and society. Parts of our business activities, such as the use of certain new technologies or our environmental impacts, are often viewed by stakeholders with a critical eye. We address these questions, initiate dialogs and participate in discussions. Such dialogs with our stakeholders help us to even better understand what groups of society expect of us and which measures we need to pursue in order to establish and maintain trust and build partnerships, and increase societal acceptance for and the sustainability of our business activities. For important topics, we systematically identify key stakeholders to discuss critical questions with them. Relevant considerations include topic-specific expertise and willingness to engage in constructive dialog.

In 2019, we once again met with the Stakeholder Advisory Council to discuss important aspects of sustainability. The main topics were identifying our material topics, the materiality analysis, impact valuation, and the issues of climate protection and human rights. We received valuable recommendations. For example, the Stakeholder Advisory Council suggested we approach our activities on the issue of human rights more systematically. We implemented the recommendation in 2019 with the publication of the new human rights position, a first gap analysis and the systematic presentation of our due diligence process.

Our political advocacy is conducted in accordance with transparent guidelines and our publicly stated positions. The same applies to our activities in associations. For instance, in 2019 we published an Industry Associations Review comparing the energy and climate protection positions of BASF and the most important associations of which we are a member, with explanations on our approach.

We have a particular responsibility toward our production sites' neighbors. With the established community advisory panels, we promote open exchange between citizens and our site management, and strengthen trust in our activities.

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

The 2018 community survey revealed that our immediate neighbors expect to be promptly informed in the case of an incident. We are increasingly using social media here. For example, a messaging service to provide information about incidents relevant to the local community, among other tools. In Ludwigshafen, residents with questions or complaints can also call the environmental monitoring center or the public hotline in the event of an incident. These services are available around the clock.

 For more information on stakeholder dialog, see [basf.com/en/stakeholder-dialog](https://basf.com/en/stakeholder-dialog)

For more information on BASF as a good neighbor, see [ludwigshafen.basf.de/neighbor](https://ludwigshafen.basf.de/neighbor)

## Responsibility for human rights

The BASF Group acknowledges its responsibility to respect internationally recognized human rights. We have embedded this into our Code of Conduct and our human rights position. In 2019, we updated our human rights position based on the U.N. Guiding Principles on Business and Human Rights. All employees and members of management bodies are responsible for ensuring that we act in accordance with our Code of Conduct and our human rights position. We uphold our standards worldwide, even where they exceed local legal requirements. We avoid causing or contributing to adverse human rights impacts through our own operations.

From 2020 onward, our Compliance organization will steer the topic of human rights and develop binding policies. A group of internal experts from different specialist units will also meet regularly to coordinate relevant topics across units. This group will serve an advisory function for issues such as conflicting goals, will develop and implement specific training, and ensure that due diligence structures and processes are in place. To systematically incorporate external expertise, we decided to establish a Human Rights Advisory Council with independent, international human rights experts in 2020. Our Stakeholder Advisory Council also brings external perspectives to discussions with the Board of Executive Directors. We see assuming our human rights responsibilities as a continuous process. This is why we continuously review our policies and processes and update them if necessary.

We want to ensure that our actions do not have a negative impact on humans rights. We have long used monitoring and management systems such as health, safety, product stewardship or labor and social standards to identify potential and actual negative impacts. Evaluating potential human rights impacts is an integral part of risks analyses, for example for investment projects or product assessments. In 2019, we additionally conducted a comprehensive human rights compliance assessment, developed by the Danish Institute for Human Rights. This assessment covers international human rights standards as well as potential impacts on our stakeholders. We perform due diligence processes on the basis of this.

Our measures and criteria for monitoring and complying with human rights are integrated into the supplier evaluation processes; our monitoring systems for environmental protection, safety and security, health protection and product stewardship; the evaluation of investment, acquisition and divestiture projects; assessments along the product lifecycle; training for security personnel at our sites; and systems to monitor labor and social standards.

As an internationally operating company, we are embedded in many societies and engage with partners around the world. We rely on our partners (joint venture partners, contractors, suppliers, and customers), expect them to comply with internationally recognized human rights standards and to replicate them further along the value chain with their subsequent partners. For instance, we contractually agreed with our two joint venture partners in the Chinese region of Xinjiang that the basis for joint activities is the BASF Code of Conduct and the requirements embedded in it to respect human rights and relevant labor and social standards (such as the exclusion of forced labor and discrimination in hiring, promotion and dismissal practices). We review this on a regular basis with audits. We support our partners in their efforts to meet their respective responsibilities. Together, we strive to avoid harm to human rights along our value chain. We have defined our expectations in a binding Supplier Code of Conduct.

Employees and third parties can report potential violations of laws or company guidelines to our compliance hotlines. Group-wide, 228 human rights-related complaints were received by phone as well as by post and e-mail in 2019. All complaints received were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken.

For many years now, we have engaged in constructive dialog on human rights with other companies, nongovernmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI), a group of globally operating companies from various sectors. The initiative aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights. We report on our global targets, monitoring systems and measures to integrate human rights topics into our business activities in publications such as this report and online.

See [basf.com/humanrights](https://basf.com/humanrights) for more information on our human rights position

## Social commitment

Our social commitment helps to achieve the U.N. SDGs. As part of our social engagement strategy, we focus on projects that will have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and the BASF Group. For instance, we have supported *Wissensfabrik*, an initiative of German businesses to promote education and entrepreneurship, for over 10 years.

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

We foster social integration, particularly of low-achieving young people and refugees, with programs such as *Start in den Beruf* and *Start Integration*. In 2019, 151 young people in the BASF Training Verbund participated in these two programs in cooperation with partner companies in the Rhein-Neckar metropolitan region. The goal is to prepare participants for a subsequent apprenticeship within one year, and ultimately secure the long-term supply of qualified employees for BASF SE and in the region as a whole. Since being launched at the end of 2015, BASF's *Start Integration* program has supported around 380 refugees with a high probability of being granted the right to remain in Germany, helping to integrate them into the labor market. We spent around €3.4 million on the BASF Training Verbund in 2019.

In addition to a large number of our own offerings, we support projects by partners in the region through donations and sponsoring. As a company, we also promote volunteering among our employees. Together with partners such as associations and cultural institutions, they get involved, actively shape their community and in this way, strengthen social cohesion in the region and within the company.

In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. organizations. In 2019, BASF supported a project spearheaded by the U.N. Children's Fund (UNICEF) to construct a youth center for young Rohingya refugees in Bangladesh with its annual year-end donation campaign to the BASF Stiftung. In total, €359,987.00 was raised for the UNICEF project from donations by the employees of participating German Group companies and BASF.

The BASF Group spent a total of €32.0 million supporting projects in 2019; 42.5% of this amount was donated (2018: €38.4 million, of which 39% were donations).

 For more information on BASF's commitment to the region, see [ludwigshafen.basf.de/commitment](https://ludwigshafen.basf.de/commitment)

For more information on BASF as a good neighbor, see [ludwigshafen.basf.de/neighbor](https://ludwigshafen.basf.de/neighbor)

## Supplier Management

**Our objective is to secure competitive advantages for BASF through professional procurement structures. Our suppliers are an important part of our value chain. Together with them, we aim to create value and minimize risks.**

### Strategy

Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, technical goods and services at competitive prices.<sup>1</sup> We work together in an open and transparent way to generate long-term benefits for both sides. In doing so, we create value added that goes above and beyond procurement alone. For example, we develop solutions to target market-specific customer requirements together with our suppliers.

Our sustainability-oriented supply chain management contributes to risk management by clarifying our expectations and standards for our suppliers, and by supporting them in carrying out our requirements. We count on reliable supply relationships and want to make our suppliers' contribution to sustainable development transparent to us.

Due to the size and scale of our supplier portfolio, our suppliers are evaluated based on risk, including both country and industry-specific risks. We actively promote sustainability in the supply chain and have set ourselves ambitious targets for this: By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend<sup>2</sup> and will develop action plans where improvement is necessary. We will work towards having 80% of suppliers improve their sustainability performance upon re-evaluation. In 2019, 81% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2019, 52% had improved. The global targets are embedded in the personal goals of persons responsible for procurement.

### Worldwide procurement

BASF SE's 9,000+ Tier 1 suppliers play a significant role in value creation at our company. We work in long-term partnership with companies from different industries around the world. They supply us with raw materials, chemicals, investment goods and consumables, perform a range of services and are innovation partners. BASF SE acquired raw materials, goods and services for our own production totaling approximately €7.25 billion in value in 2019.

### What we expect from our suppliers

New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also environmental, social and corporate governance standards. Our Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the

U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care initiative. The Code of Conduct covers compliance with human rights, labor and social standards, and anti-discrimination and anticorruption policies in addition to protecting the environment.

A registration portal incorporating our Supplier Code of Conduct was introduced in 2019 for all suppliers of technical goods, services and investment goods. In 2019, 1,596 new suppliers committed to our values via the portal. We specifically ask new raw materials suppliers to commit to the values of our Supplier Code of Conduct. Companies that do not accept our values are not taken on as new suppliers.

### Training and partnerships

In Brazil, we trained employees from 81 suppliers on topics such as how the United Nations' Sustainable Development Goals (SDGs) can be implemented. We trained employees from 49 suppliers in 2019 as part of a local partnership with the East China University of Science and Technology in Shanghai.

BASF is one of 11 founding members of the econchain – German Business Initiative for Sustainable Value Chains initiative coordinated by the German sustainability network econsense. As part of this initiative, we help suppliers to improve their sustainability performance through training. Following successful pilot supplier training, which we started in 2018 in China and Mexico and completed in 2019, the concept was enhanced and refined to roll out the training further in 2020.

In addition, we instructed 229 BASF employees with procurement responsibility on sustainability-oriented supplier management and responsible procurement. This strengthens employee awareness to identify and minimize potential risks in the supply chain.

### Evaluating our suppliers

BASF is a founding member of the Together for Sustainability (TfS) initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. With the help of TfS, we promote sustainability in the supply chain. The initiative aims to develop and implement a global program for the responsible supply of goods and services and improve suppliers' environmental and social standards. The evaluation process is simplified for both suppliers and TfS member companies by a globally uniform questionnaire. The 22 members of the initiative conducted a total of 4,197 sustainability assessments – including both initial and follow-up assessments – and 309 audits in 2019. TfS has developed training for suppliers that already have a sustainability rating but have potential for improvement in environmental, social and

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

<sup>2</sup> We understand relevant spend as procurement volumes with relevant suppliers. We define relevant suppliers as Tier 1 suppliers showing an elevated sustainability risk potential as identified by our risk matrices and our purchasers' assessments. We also use further sources of information to identify relevant suppliers such as evaluations from Together for Sustainability (TfS), a joint initiative of chemical companies for sustainable supply chains.



corporate governance. In 2019, more than 200 participants attended training on this topic in China.

Using TfS evaluations, we pursue a risk-oriented approach with clearly defined, BASF-specific follow-up processes. A total of 81 raw material supplier sites were audited on sustainability standards in 2019. We also received sustainability assessments for 537 suppliers from an external service provider. If we identify potential for improvement, we support suppliers in developing measures to fulfill our standards, such as providing training on environmental, social and corporate governance topics. We conduct another review according to a defined timeframe based on the sustainability risk measured. BASF reserves the right to discontinue any business relationship for non-adherence to international principles, failure to correct violations, or for displaying patterns of non-compliance with these standards. This did not occur in any case in 2019. We use this approach to evaluate suppliers with a potential sustainability risk at least every five years. The approach itself is regularly reviewed to identify possibilities for optimization.

 For more information on Together for Sustainability, see [basf.com/en/together-for-sustainability](https://basf.com/en/together-for-sustainability)

## Audit results

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The audits conducted over the past few years have identified some deviations with respect to environmental, social and corporate governance standards, for example in waste and wastewater management, deviations in occupational safety measures and standards under labor law. Follow-up assessments found, for example, that hazardous materials were stored correctly, wastewater was treated properly, there were sufficient emergency exits and trained emergency teams, and that labor laws were complied with. In 2019, none of our audits identified any instances of child labor or dangerous work and overtime performed by persons under 18.

 For more information on suppliers, see [basf.com/suppliers](https://basf.com/suppliers)



## Environmental Protection, Health and Safety

### Responsible Care Management System

**The protection of people and the environment is our top priority. Our core business – the development, production, processing and transportation of chemicals – demands a responsible approach. We systematically address risks with a comprehensive Responsible Care Management System, which is continually being further developed. We expect our employees and contractors to know the risks of working with our products, substances and plants and handle these responsibly.**

#### Responsible Care Management System

The BASF Group's Responsible Care Management System comprises the directives, standards and procedures for safety, security, health and environmental protection for the various steps along our value chain. Our regulations cover the transportation of raw materials, activities at our sites and warehouses, and distribution of our products as well as our customers' application of the products. Specifications for implementing these measures are laid out in binding directives that are introduced in consultation with employee representatives. These describe the relevant responsibilities, requirements and assessment methods. Our policies and requirements are constantly updated. We also maintain a dialog with government institutions, associations and other international organizations.

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

For more information on Responsible Care®, see [basf.com/en/responsible-care](https://basf.com/en/responsible-care)

#### Audits

Regular audits help ensure that standards are met for safety, security, health and environmental protection. We also conduct these audits at BASF SE. The regulations for Responsible Care audits are defined in a global Group requirement. During our audits, we create a safety and environmental profile that shows if we are properly addressing the existing hazard potential. If this is not the case, we agree on measures and monitor their implementation, for example, with follow-up audits.

The BASF Group's Responsible Care audit system complies with the ISO 19011 standard and is certified according to ISO 9001.

At BASF SE in 2019, environmental, safety and security audits were carried out at 24 plants, along with seven short-notice audits on selected topics at seven plants.

For more information on occupational safety and health protection, see page 16 onward

#### Costs and provisions for environmental protection at BASF SE

Million €	2019	2018
Operating costs for environmental protection	493	527
Investments in new and improved environmental protection plants and facilities <sup>1</sup>	217	193
Provisions for environmental protection measures and remediation <sup>2</sup>	204	196

<sup>1</sup> Investments comprise end-of-pipe measures as well as integrated environmental protection measures.

<sup>2</sup> Values shown refer to December 31 of the respective year.

For more information, see the Notes on pages 75 and 86

## Safety in production

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

### Strategy

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

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

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

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

By 2022, we will introduce digital solutions and applications to further increase the safety, security, planning capability and availability of our plants at more than 350 of our plants across the Group, especially at the Ludwigshafen site in Germany. For example, augmented reality solutions will support daily operations by providing direct, fast access to the required information with mobile end devices and apps. Other digital solutions will enable us to perform predictive maintenance or efficiently simulate maintenance and production processes in digital plant models.

Based on our corporate values, leaders serve as safety role models for our employees. Environmental protection, health, safety and security are discussed with newly appointed senior executives. Senior executives with a particular responsibility for such topics, for example in production, also receive specific further training to be able to meet their responsibilities.

### Global safety initiative

Our Safety Champions initiative was established in 2008 and plays a key role in the ongoing development of our safety culture. The BASF Group's Global Safety Days in 2019 were dedicated to the

topic "Safe choices become safe habits" and provided the opportunity to learn about practical examples and gain valuable insights around risk-aware behavior and conscious decision-making. Around 7,500 employees and contractors registered to participate in Ludwigshafen, Germany. The events offered centrally were therefore 90% booked out. The Safety Champions Team Award has been awarded in all regions since 2012. A Safety Champions Team Award for Ludwigshafen was introduced in 2016. With the prize, BASF recognizes outstanding employee ideas and achievements around safety. This competition gives all employees the opportunity to promote their creative ideas and successful projects to improve safety work, and share their solutions. The 2019 prize was awarded to a team of employees who pragmatically developed technical solutions to simplify and thus make work frequently performed on plants safer. This involvement and lively discussion make a major contribution to our safety culture.

For more information on the safety initiative, see [basf.com/global-safety-initiative](https://basf.com/global-safety-initiative)

### Occupational safety

Our aim is to reduce the lost-time injury rate to no more than 0.1 per 200,000 working hours<sup>1</sup> by 2025. To prevent work-related accidents, we encourage and promote risk-conscious behavior and safe working practices for every individual, learning from incidents and regular exchange of experiences. We are constantly refining and enhancing our requirements. BASF SE sets great store on clear guidelines and rules and systematically involves the production community in their development and implementation. In addition, BASF SE promotes ongoing dialog with annual events such as the "EHS and site forum" and launches specific initiatives.

We are working on introducing targeted, tracked site-wide measures as part of our "One Safety" program. These include systematically tracking incidents with high hazard potential, which was introduced in 2017, for example through targeted visits to the relevant plants by site management representatives, and the initiatives "Learn from each other" and "Always Safe!"

In addition to the legally required briefings, we also held training courses on safe procedures in 2019 to strengthen risk awareness among our employees and contractors and prevent work-related accidents. Our training center in Ludwigshafen, Germany, has offered continuous further education on diverse safety and security topics for employees and contractors since 2010. Some 11,800 participants received training there in 2019.

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

In 2019, BASF SE recorded 0.5 work-related accidents per 200,000 working hours (2018: 0.5).<sup>1</sup> The proportion of chemical-related accidents was 5% (2018: 5%). There were no fatal work-related accidents at BASF SE in 2019 (2018: 1).

<sup>1</sup> Hours worked by BASF employees, temporary employees and contractors

In January 2019, an employee of an external freight company suffered a fatal electric shock on climbing on to the tanker trailer of his truck near a high-voltage overhead power line. BASF SE is supporting the relevant authorities in their investigation into the circumstances and cause of the accident. We use the findings to take appropriate measures to prevent this from happening again. Such measures include regular information and awareness campaigns.

For more information on occupational safety, see [basf.com/occupational\\_safety](https://basf.com/occupational_safety)

## Process safety

Process safety is a core part of safe, effective and thus sustainable production. We meet high safety standards in the planning, construction and operation of our plants. These meet and, in some cases, go beyond local legal requirements.

Our process safety standards provide the framework for the safe construction and operation of our plants as well as the protection of people and the environment. Our experts have developed a plant safety concept and implementation check for every plant that considers the key aspects of safety, health and environmental protection – from conception to startup – and stipulates specific protection measures.

In order to maintain the highest level of safety at our plants across their entire life cycle, we review the implementation of our protection plans in all facilities at regular intervals and depending on risk potential, as well as the on-time performance of the required safety inspections and any resulting safety-related measures. We regularly update our plants' safety and security concepts in line with changing technologies and as necessary.

We use the number of process safety incidents (PSI) per 200,000 working hours<sup>1</sup> as a reporting indicator. We have set ourselves the goal of reducing process safety incidents to a rate of no more than 0.1 per 200,000 working hours by 2025. In 2019, BASF SE recorded 0.4 process safety incidents per 200,000 working hours (2018: 0.4). We pursue continual improvement by investigating every incident in detail, analyzing causes and using the findings to derive suitable measures. In addition, training methods are continually refined and enhanced to increase risk awareness.

We are constantly working to increase the availability of our plants and determine the right point in time for maintenance measures and revamping/refurbishment. The aim is to further reduce unscheduled shutdowns. To achieve this, we launched a digitalization project in 2017, which was first implemented in 2018 at a number of plants in Ludwigshafen, Germany, and then extended in 2019 to further plants in Ludwigshafen as well as in Schwarzheide, Germany, and Antwerp, Belgium.

We promote the reduction of process safety incidents and improve risk awareness with a culture of dealing openly with mistakes and initiatives to foster dialog around potential safety risks. In Ludwigshafen, Germany, the PSI reduction initiative was held for the fifth time in 2019. In the past, this initiative mainly focused on the implementation of technical measures, such as introducing a tool to visualize safety measures during maintenance work and startup processes for production plants, for example. In 2019, discussions centered for the first time on specific events and their behavior-based causes. Another topic was the competencies needed to prevent such events from happening again. This new approach involves targeted training and is initially being tested by three plants. Further plants will adopt the proven concept on a step-by-step basis.

For more information on process safety, see [basf.com/process\\_safety](https://basf.com/process_safety)

## Health protection

Our Corporate Health Management department is responsible for occupational and emergency health care for BASF employees at the Ludwigshafen site, as well as for coordinating and auditing medical services at BASF Group companies worldwide. It has been recognized by the employers' liability insurance association as a training facility for company first aiders.

Our health management serves to maintain and promote the health and productivity of our employees. Our standards for occupational health are specified in a directive that is implemented by a global network of experts. This was once again supported by numerous emergency drills and health promotion measures in 2019.

To practice cooperation between BASF's emergency services, doctors, paramedics and other experts from the medical team participated in three major incident drills in 2019 (2018: 3). In addition, more than 3,000 participants (2018: 3,000) received first aid or refresher training from certified instructors from the emergency services team in 2019.

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

We measure our performance in health protection using the Health Performance Index (HPI). The HPI comprises five components: recognized occupational diseases, medical emergency preparedness, first aid, preventive medicine and health promotion. Each component contributes a maximum of 0.2 to the total score, meaning that the highest possible score is 1.0. We aim to reach a value of more than 0.9 every year. With an HPI of 0.97 for the BASF Group, we once again reached this ambitious goal in 2019 (2018: 0.96).

<sup>1</sup> Hours worked by BASF employees, temporary employees and contractors

The BASF Group's 2019 Global Health Campaign "moment\_to\_moment" focused on mindfulness. The aim was to sensitize employees to conscious and safe behavior in their everyday working and personal lives. In Ludwigshafen, 158 courses and workshops were offered and 7,330 vision and hearing tests were conducted as part of the campaign.

 For more information on occupational medicine, health promotion campaigns and the HPI, see [basf.com/health](https://basf.com/health)

## Emergency response, corporate security and cybersecurity

Companies like BASF must be well prepared for crisis situations. To this end, the BASF Group has established a global crisis management system, which is also used at BASF SE. In the event of a crisis, our emergency response plans and crisis management structures are engaged, depending on the impact scope. We involve situation-related partners and suppliers as well as cities, communities and neighboring companies. A new IT system to support emergency response was introduced in 2018/2019 to speed up communication between the relevant actors in the event of a crisis and maintain the best possible overview of the situation. The crisis management team can now record and process events around the world and at the Ludwigshafen site better and in more detail.

We regularly check our emergency systems, crisis management structures and drill procedures with employees, contractors, local authorities and emergency rescue workers. In 2019, we conducted 277 drills and simulations in Ludwigshafen, Germany, to instruct participants on our emergency response measures according to their specific roles.

We protect our employees, sites, plants and company know-how against third-party interference. This includes, for example, analyzing potential security risks in the communities surrounding our production sites and addressing in depth the issue of cybersecurity. BASF has a comprehensive program in place to continually improve its ability to prevent, detect and react to cybersecurity incidents. By establishing a global Cyber Security Defense Center, BASF significantly expanded the availability of its cybersecurity experts to ensure around-the-clock protection. We cooperate closely with a global network of experts and partners to ensure that we can protect ourselves against cyberattacks as far as possible. Our IT security system is certified according to ISO 27001.

We work to sensitize employees about protecting information and know-how. For example, we further strengthened our employees' awareness of risks in 2019 with mandatory online training for all employees and other offerings such as seminars, case studies and interactive training. We have defined mandatory information protection requirements to ensure compliance with our processes for protecting sensitive information and perform audits to monitor this.

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

Aspects of human rights related to site security, such as the right to liberty and security of person, are a component of the qualification requirements of our security personnel. Respect for human rights is a mandatory element of any contract with service providers of BASF SE who are active in this area.

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

## Product stewardship

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

### Strategy

We are committed to continuously minimizing the negative effects of our products on the environment, health and safety along the value chain – from development to disposal. This commitment to product stewardship is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). We also ensure uniformly high standards for product stewardship.

We maintain and evaluate environmental, health and safety data for our substances and products in a database. This information is updated continuously. The database forms the basis for our safety data sheets, which we make available to customers in around 40 languages. Our global emergency hotline network enables us to provide information around the clock Group-wide. We train and support our customers in fulfilling their industry or application-specific product requirements. In associations and together with other manufacturers, the BASF Group is pushing for the establishment of voluntary global commitments to prevent the misuse of chemicals.

The BASF Group supports the implementation of initiatives such as the Global Product Strategy (GPS) of the ICCA. GPS is establishing worldwide standards and best practices to improve the safety management of chemical substances and to support governments in the introduction of local chemical regulations. We are also involved in initiatives such as workshops and training seminars in developing countries and emerging markets. In 2019, these included the ASEAN (Association of Southeast Asian Nations) workshop on regulatory cooperation in Vietnam and a Responsible Care workshop in Argentina.

 For more information on GPS, see [basf.com/en/gps](https://basf.com/en/gps)

### Global chemicals regulations

Based on the E.U. chemicals regulation, REACH, similar chemicals regulations are being introduced around the world, for example in South Korea and Turkey. The BASF Group reached important milestones in both countries in 2019. In South Korea, BASF successfully completed the pre-registration phase by the end of June. In Turkey, several thousand pre-registrations were submitted during the pre-registration phase, which is still ongoing. In Europe, our REACH activities continue to be determined by E.U. authorities' decisions on dossier evaluations. We are also required to continually update our registration dossiers. BASF is working together with the European Chemicals Agency (ECHA) on a project to improve the quality of REACH dossiers. BASF was one of the first companies to join this industry-wide initiative.

We continue to see a rise in both regulatory requirements for agrochemicals and the number of additional studies required to obtain or extend approval for crop protection products. Potential risks for people and the environment are carefully assessed and minimized throughout the research, development and registration process for crop protection products. We perform a large number of scientific studies every year to ensure that, as far as possible, our registration dossiers leave no questions unanswered.

### Environmental and toxicological testing

Before launching products on the market, we subject them to a variety of environmental and toxicological testing. We apply state-of-the-art knowledge in the research and development phase of our products. For instance, we only conduct animal studies when they are required by law and approved by respective authorities. Animal studies are at times stipulated by REACH and other national legislation outside the European Union in order to obtain more information on the properties and effects of chemical products.

We adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world. We are continually developing and optimizing alternative methods, and we use them wherever it is possible and accepted by the authorities. We use alternative methods in more than a third of our toxicological tests. The development of alternative methods for testing the potential of substances to induce developmental toxicity has been a focus area of our research since 2017.

Since 2016, our Experimental Toxicology and Ecotoxicology department has been working together with a total of 39 partners on one of the largest European collaborative projects for alternative methods. The project, planned to run for six years, aims to develop alternative methods to the point that chemical risk assessments can be efficiently conducted largely without animal testing.

 For more information on alternative methods, see [basf.com/alternative\\_methods](https://basf.com/alternative_methods)

### Management of new technologies

Nanotechnology and biotechnology offer solutions for key societal challenges – for example, in the areas of climate protection or health and nutrition.

Safe handling of nanomaterials is stipulated in our Nanotechnology Code of Conduct. In recent years, BASF has conducted over 250 scientific studies and participated in numerous Verbund projects related to the safety of nanomaterials in Germany and around the world. The results were published in more than 130 scientific articles.

In 2018, we concluded laboratory and evaluation work on the Nano-in-Vivo research project. The project was conducted in cooperation with German governmental bodies over a period of more than five years and examined the toxicological effects of long-term exposure

to nanoparticles. We communicated the first findings at industry conferences in 2019. We will publish further data and results together with the German governmental bodies in the final report and in scientific papers. The insights delivered by the research project complement our previous findings that toxicity is determined not by the size of the particles but by the intrinsic properties of the substance.

OECD testing and implementation guidelines must be developed for the new requirements for nanomaterials under REACH, the European chemicals regulation. We support this process by contributing our expertise in various working groups of the European Chemicals Agency (ECHA) and the OECD's Business and Industry Advisory Group (BIAC).

Together with partners from academia and government authorities, we are working on E.U.-funded projects to validate alternative testing methods for evaluating and grouping nanomaterials with a view to regulatory acceptance. Many of the methods developed for nanoparticles could, in our view, also be used to evaluate solid particles in the future, an approach we bring up in regulatory discussions.

The BASF Group makes successful use of biotechnology. We produce a range of established products with the help of biotechnological methods. This provides us with extensive experience in the safe use of biotechnological methods in research and development as well as in production. When employing biotechnology, we adhere to all local standards and legal regulations governing production and marketing. We are also guided by the code of conduct set out by EuropaBio, the European biotechnology association.

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



## Transportation and storage

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

### Strategy

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

### Accident prevention and emergency response

We regularly assess the safety and environmental risks of transporting and storing raw materials and sales products with high hazard potential using our global guideline. This is based on the guidelines of the European Chemical Industry Council (CEFIC). The BASF Group also has binding global standards for load safety.

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

### Transportation incidents

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

BASF SE recorded two incidents in 2019 with spillage of more than 200 kilograms of dangerous goods (2018: 1). Neither of these transportation incidents had a significant impact on the environment (2018: 0).

### Securing raw materials supply via the Rhine River

At the Verbund site in Ludwigshafen, Germany, around 40% of incoming volumes are transported to the site by ship under normal conditions. In 2018, logistics were impacted by the low water levels on the Rhine River caused by the hot and dry summer. We are implementing various measures to make the site more resilient to extended low water events. For instance, we are involved in creating an early warning system for low water, have chartered ships that can navigate low water levels, are investing in making loading stations more flexible, and are additionally developing our own type of ship together with partners. BASF is also a co-signatory of the German Federal Ministry of Transport's "Low water on the Rhine" action plan, which aims to improve shipping conditions on the Rhine over the coming years with various measures. We recorded no extended low water events in 2019.

### Activities in external networks

We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. Since 2019, external experts such as the public fire services or other emergency responders can consult our systems for information on the detection of chemical substances in the human body. This "human biomonitoring" can be used to determine and evaluate whether and what amount of chemical substances have been absorbed by the human body during a rescue operation. It can be used to test and verify the efficacy of safety measures taken and of safety equipment, which is of particular importance for the health protection of emergency responders. Our experts provide assistance in evaluating whether human biomonitoring is feasible in a specific case, and in selecting the target substances to be tested, as well as appropriate sampling methods including transport and storage of samples.

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

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

## Energy and climate protection

**As an energy-intensive company, we are committed to energy efficiency and global climate protection. We want to reduce emissions along the value chain. To achieve this, we rely on efficient technologies for generating steam and electricity, increased use of renewable energies, energy-efficient production processes and comprehensive energy management, among other things. Our climate protection products make an important contribution toward helping our customers avoid emissions.**

### Strategy

Climate protection is very important to us. As a leading chemical company, we want to achieve CO<sub>2</sub>-neutral<sup>1</sup> growth until 2030: We aim to keep total greenhouse gas emissions from our production sites and our energy purchases stable at the 2018 level while growing production volumes. Sharp increases due to the startup of large-scale plants will be progressively offset. When deciding on investments and acquisitions, we systematically consider the effects on greenhouse gas emissions.

We want to reach our climate protection target and enable further reductions with plant optimization measures, by purchasing low-carbon energy, and with a research and development program to reduce our greenhouse gas emissions over the long term. We have bundled these measures in our carbon management program. In addition, we will also consider temporarily taking external offsetting measures such as purchasing certificates if the technical or economic environment does not permit a stabilization of emissions at the 2018 level using the above approaches.

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

### Goals and measures

The BASF Group has set itself the goal of CO<sub>2</sub>-neutral growth until 2030. BASF SE plays a significant part in reaching this goal. No separate site target has been set for greenhouse gas emissions, as changes to plant capacity utilization and the portfolio can have a great impact on target achievement at individual site level, but can usually be offset at Group level.

Group-wide, specific greenhouse gas emissions in 2019 amounted to 0.574 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product,<sup>2</sup> 0.5% lower than in the previous year. Since 1990, BASF has been able to lower overall greenhouse gas emissions from Group-wide operations by 49.9% and even reduce specific emissions by 75.0%.

By 2020, BASF wants to have introduced certified energy management systems (DIN EN ISO 50001) at all relevant production sites Group-wide.<sup>3</sup> Taken together, this represents 90% of the BASF Group's primary energy demand. BASF SE's Ludwigshafen site has been certified according to ISO 50001 since 2014. We continuously analyze and implement measures to increase energy efficiency.

<sup>1</sup> For more information on climate protection, see [basf.com/climate\\_protection](https://basf.com/climate_protection)

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

### Energy demand of BASF SE

	2019	2018
Electricity (MWh)	6,176,545	6,199,584
Steam (metric tons)	18,322,989	18,358,733
Fossil fuels in power plants (MWh)	16,364,338	16,511,504

<sup>1</sup> The goal includes other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents.

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

<sup>3</sup> The selection of relevant sites is determined by the amount of primary energy used and local energy prices.



## Air and soil

**BASF wants to further reduce emissions to air from production, prevent waste and protect the soil. The Group has set out standards in a globally applicable directive that also applies to BASF SE. If no recovery options are available for waste, we dispose of it in a proper and environmentally responsible manner.**

### Strategy

Regular monitoring of our emissions to air is a part of environmental management at BASF. Aside from greenhouse gases, we also measure emissions of other pollutants into the atmosphere. Our climate protection activities are based on a comprehensive analysis of our emissions.

Our Raw Material Verbund helps us prevent or reduce waste. We regularly carry out audits to inspect external waste disposal companies to ensure that waste is properly disposed of. In this way, we also contribute to preventive soil protection and keep today's waste from becoming tomorrow's contamination.

### Management of waste and contaminated sites

We aim to avoid waste as far as possible. If waste is unavoidable, we review the options for recycling or energy recovery in terms of a circular economy. BASF's Verbund structures are used for efficient waste management. Waste generated by BASF SE that can no longer be recycled or used for energy recovery is deposited at

landfill sites such as Flotzgrün. Construction work to expand the landfill site has been approved and commenced in 2017.

As of 2019, the BASF Group's waste footprint also includes all materials from construction activities, which are recycled. Until 2018, waste from construction activities was only reported if it was disposed of (deposited at landfill sites) and not recovered. Accordingly, the total waste reported for 2019 is higher than in 2018.

From the 1950s to the 1970s, waste was also deposited at the former landfill sites in Ludwigshafen-Maudach (until 1966) and Bruchhübel near Bad Dürkheim (until 1978) in BASF SE's local environment. To minimize the environmental risk of these contaminated sites, remediation measures were taken for both landfill sites. In Bruchhübel, field 3 was completely encapsulated with a sealing wall and the surface sealed with plastic liner. The tightness of the wall was verified. The landfill site in Maudach was partially surrounded by a sealing wall to secure groundwater runoff and a remediation well was installed. Groundwater conservation measures were put into place at both sites to further protect against discharge of harmful substances.

 For more information on provisions for environmental protection, see the Notes on page 75

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

### Emissions to air by BASF SE

	2019	2018
Emissions of air pollutants (excluding CH <sub>4</sub> ): CO, NO <sub>x</sub> , NMVOC, SO <sub>x</sub> , dust, NH <sub>3</sub> /other inorganic substances (metric tons)	7,405	7,506
Greenhouse gas emissions: CO <sub>2</sub> , N <sub>2</sub> O, CH <sub>4</sub> , HFC, PFC, SF <sub>6</sub> (million metric tons of CO <sub>2</sub> equivalents)	7.30	7.35

### Waste generated by BASF SE

	2019	2018
Total waste generation (metric tons) <sup>1</sup>	773,328	665,898

<sup>1</sup> Comprises all production waste and waste from construction activities.

## Water

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

### Strategy

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

### Goals and measures

By 2030, the BASF Group wants to have introduced sustainable water management at all production sites in water stress areas<sup>1</sup> and at the largest Verbund sites, covering 93% of the BASF Group's entire water abstraction.

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

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

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

### Water balance of BASF SE

	2019	2018
Water abstraction (million cubic meters)	1,351	1,326
Water use (million cubic meters)	2,022	2,171
Water discharge (million cubic meters)	1,198	1,231
Emissions of organic substances to water (metric tons)	5,105	5,450
Emissions of nitrogen to water (metric tons)	1,609	1,561
Emissions of heavy metals to water (metric tons)	11	11

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

## Employees

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

### Strategy

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

### Number of employees

At the end of 2019, BASF SE had 34,896 employees (2018: 35,316); of these, 2,034 were apprentices<sup>1</sup> (2018: 1,982). The decrease in the number of employees mainly related to administrative and service units; by contrast, we continued to actively hire production and technical employees.

### Employee engagement

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

calculate employee engagement level as an index score based on five questions on set topics in our employee surveys. Overall, more than 71,000 employees worldwide participated in this year's survey, representing 66% of survey recipients.

Our 2019 employee survey showed an engagement index of 79%. Despite significant challenges associated with restructuring measures, this score is already close to the target we set ourselves. We continue to aim to increase this score to over 80%.

We support our leaders with a range of follow-up measures to decentrally address the individual action areas and in this way, help further strengthen employee engagement together with their employees.

### What we expect from our leaders

Our leaders and their teams should make a sustainable contribution to BASF's success and to safeguarding its future. This is why we want to strengthen the impact of our leadership. We understand impactful leadership as leaders that serve as role models by having a positive influence on the engagement and development of their employees and developing and implementing business strategies in line with our corporate values. These expectations are part of the standard global nomination criteria for leadership candidates. Our leadership culture is founded on a global Competency Model, which sets out specific behavioral standards based on our corporate values. We offer our leaders a wide variety of learning and development opportunities for each phase of their career, as well as various formats that enable them to learn from one another and external trainers. Global, regional and local offerings are optimally coordinated.

We aim to develop leaders who lead their teams with optimism, empathy and trust, and in this way, create a competitive advantage for BASF. Regular feedback plays an important role in the development of leaders. That is why in 2019, we developed and implemented FEEDback&forward, a comprehensive feedback program for all senior executives.<sup>2</sup>

FEEDback&forward gives all of our senior executives direct, regular feedback from their employees on their leadership skills. The questionnaire focuses on behaviors like empathy or the ability to make difficult decisions and approach change positively. Employees can also report back to their leaders which leadership behaviors they want in the future. In this way, FEEDback&forward promotes regular and open dialog between employees and their leaders, and encourages leaders to reflect on themselves and their own leadership skills and drive forward change together with their employees. This fosters a culture of continual self-reflection and personal development.

FEEDback&forward will be rolled out Group-wide from 2020 as an annual tool for leaders to reflect on their own leadership skills.

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

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

## Inclusion of diversity

The global character of our markets translates into different customer requirements – and we want to reflect this diversity among our employees, too. For us, diversity means, among other things, having people from different backgrounds working at our company who can draw on their individual perspectives and skills to grow our business. This diversity is important to us because it enables our employees to better meet our customers' needs. By valuing and promoting employee diversity, we boost our teams' performance and power of innovation, and increase creativity, motivation and each and every individual's identification with the company. Promoting and valuing diversity across all hierarchical levels is an integral part of our strategy and is also embedded in our corporate values. BASF strives to foster a working environment based on mutual respect, trust and appreciation. This is enshrined in our global Competency Model, which provides a framework for our employees and leaders. The inclusion of diversity is anchored in this model as one of the behaviors expected of employees and leaders.

Our leaders play an important role in its implementation. We support them by integrating topics such as inclusive leadership into our leadership development courses. Special seminars and training events are held to sensitize leaders to issues such as unconscious bias. This enables them to remain as objective as possible when making personnel decisions, for example, to avoid unconscious biases in favor of or against candidates with certain characteristics or views. BASF is one of approximately 150 companies that support the United Nations Global LGBTI (lesbian, gay, bi, trans and intersex) Standards of Conduct for business and has done so since 2018. The U.N. recommendations show the many opportunities companies have to contribute to positive social change. As part of pride month, employees promoted openness, acceptance and tolerance with campaigns at various sites around the world.

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

 For more information on the participation of women in leadership positions, see page 43 onward

## Managing demographic change

Our aim is to create a suitable framework to leverage the experience of our employees and enable them to contribute to BASF SE in all stages of life. We want to ensure the availability of qualified employees over the long term, especially in a technological and digital environment. We see digitalization as an opportunity to meet the challenges of demographic change.

Longer working lives and an aging employee population are relevant issues, especially in Germany. We address these different challenges with various measures to manage demographic change such as knowledge management, flexible working arrangements, age-appropriate workplaces, and health and exercise programs. Demographic analyses make the demographic situation at each site or plant transparent for the responsible leaders. For plants and job profiles with a particularly critical age structure, we immediately derive specific measures such as offerings for needs-based knowl-

edge transfer, assisted knowledge handover or succession planning. We also support processes to identify and retain knowledge. Mixed-age teams foster diversity within the company and benefit from the combination of different skills and perspectives, for example, by bringing together knowledge of digital technologies with many years of experience and process expertise.

 For more information on health protection, see page 17 onward

## Competition for talent

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

We are increasingly using digital platforms such as our country-specific career websites as well as global and regional social networks to reach potential candidates. This enables us to address specific target groups. In 2019, we expanded our social media presence with a global career channel on Instagram to give younger audiences in particular insights into employee stories and offer another communication platform. In addition, we launched a chat-bot in 2019 to provide support on our career website and answer questions about the application process at any time of day or night.

One focus is on the recruitment of digital talents. We target digital talents with new recruiting and HR marketing measures to strengthen our position among this group. These include "recruitment" formats such as a hackathon and an employer campaign to show the wide range of applications that IT and digitalization have at our company and spark interest in a career at BASF. In addition, digital tools support the application and candidate selection process for particularly relevant positions in this area.

Another focus of our activities is attracting talented female recruits. In 2019, we held the first X-Days event in Germany, for instance. We invited female students and PhD candidates in the natural sciences to find out more about BASF and digital career opportunities, and network with female leaders. Since the start of 2019, all positions in Germany have been advertised for male, female or diverse candidates. This addresses all genders and signals openness and tolerance.

We once again achieved high scores in a number of employer rankings in 2019. For example, in a study conducted by Universum, BASF was again selected by engineering and IT students as one of the 50 most attractive employers in the world. In North America, DiversityInc named BASF as one of the top 50 companies for diversity in recruiting for the seventh consecutive year. In Asia, Top Employer recognized BASF China as one of the best employers for

the tenth time in succession. In South America, BASF was recognized as one of the top employers in the Brazilian chemical industry by local human resources magazine *Você S/A*.

### Vocational training

Our vocational training plays a key role in securing qualified employees in Ludwigshafen, Germany, our largest site. We give school students in the career orientation phase insights into different training paths with target group-specific measures.

Digitalization is also changing vocational training at BASF. Course content is adapted to include new Industry 4.0 topics such as modules on data management or automation, and modern communication technologies make new learning methods possible. Young people train for their future profession in modern workshops and laboratories, where they use digital technologies from the start. Visualization of data, intelligent networks or contact-free technologies such as thermography play a key role here. The *Digitalisierung in der Ausbildung* project ("digitalization in vocational training") continued to drive forward digitalization together with vocational colleges in Ludwigshafen, Germany, as part of the local training partnership. An additional offering for contractors at BASF's Ludwigshafen site in Germany was introduced in 2019: 35 apprentices from 12 contractors began vocational training as industrial mechanics and electronics technicians for production engineering in cooperation with BASF. With the training partnership, BASF is actively working to secure the supply of qualified employees at the Ludwigshafen site.

A total of 629 apprentices began vocational training at BASF SE in 2019, filling all available vocational program slots. Over 90% of apprentices at BASF SE received a job offer after completing vocational training in 2019. We also foster social integration, particularly of young low achievers and refugees. Programs in the Rhine-Neckar metropolitan region include *Start in den Beruf* and *Start Integration*. In 2019, 151 young people in the BASF Training Verbund participated in these programs in cooperation with partner companies. The goal is to prepare participants for a subsequent apprenticeship within one year, and ultimately secure the long-term supply of qualified employees for BASF SE and in the region as a whole. Since being launched at the end of 2015, BASF's *Start Integration* program has supported around 400 refugees with a high probability of being granted the right to remain in Germany, helping to integrate them into the labor market. We spent around €3.4 million on the BASF Training Verbund in 2019.

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

### Learning and development

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our

efforts to promote lifelong, self-directed learning. Employee development at BASF is guided by the belief that talent is in everyone. This means that development opportunities and support are open to all employees. In our understanding, there is more to development than a promotion or a job change – it encompasses the development of personal experience and abilities.

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

Digital learning formats are playing an ever-increasing role in our development offerings. In 2019, we expanded our global digital learning platform with the addition of an independent learning module. With it, a growing number of employees can benefit from personalized learning recommendations and special learning paths on diverse topics. In addition, all employees have access to a continuously growing online library with professional resources on leadership, personal development and business. These digital offerings enable employees to take responsibility for their own professional development and promote knowledge transfer across BASF as a whole. We launched the #liveitleadit initiative in 2019 to harness the opportunities of digital transformation for BASF. Ten modules on different aspects of leadership in the digital age give leaders inspiration for their work, including on agility or leading in a data-driven world.

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

### Compensation and benefits

We want to attract engaged and qualified employees, retain them and motivate them to achieve top performance with an attractive package including market-oriented compensation, individual development opportunities and a good working environment so that they contribute to the company's long-term success.

Our employees' compensation is based on global compensation principles according to position, market and performance. As a rule, compensation comprises fixed and variable components as well as benefits that often exceed legal requirements. In many countries, these benefits include company pension benefits, supplementary health insurance and share programs. We regularly review our

compensation systems at local and regional levels. Representative analyses for BASF SE have shown that for comparable qualifications and positions, there is no systematic pay gap between men and women.

We want our employees to contribute to the company's long-term success. This is why the compensation granted to all employees of BASF SE includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles basically apply for all employees worldwide. The amount of the variable component is determined by economic success as well as the employee's individual performance. We use the BASF Group's return on capital employed (ROCE) to measure economic success for the purposes of variable compensation. This links variable compensation to our ROCE target.<sup>1</sup> Individual performance is assessed as part of a globally consistent performance management process.

BASF SE employees are offered the chance to purchase shares. Our "plus" share program ensures employees' long-term participation in the company's success through incentive shares: A portion of the variable compensation can be invested in BASF shares in order to profit from BASF's long-term development. Around 18,600 BASF SE employees (2018: around 18,600) purchased employee shares in 2019. BASF offers senior executives the opportunity to participate in a share price-based compensation program, the long-term incentive (LTI) program. From 2020 onward, the previous LTI program for senior executives will be replaced by a new program. The new program will incentivize the development of the total shareholder return, as well as the achievement of strategic growth, profitability and sustainability targets.

For more information, see the Notes on page 75

## Personnel expenses

BASF SE spent €3,745 million on wages and salaries, social security contributions and expenses for pensions and assistance in 2019 (2018: €3,426 million). Personnel expenses thus rose by 9.3%. The increase in personnel expenses is mainly attributable to restructuring measures in connection with the implementation of the updated corporate strategy.

For more information, see the Notes on page 79

### Personnel expenses BASF SE

Million €	2019	2018
Wages and salaries	3,099	2,768
Social security contributions and expenses for pensions and assistance	646	658
of which for pension benefits	199	223
<b>Total personnel expenses</b>	<b>3,745</b>	<b>3,426</b>

## Balancing personal and professional life

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

A pilot project aiming to further expand remote working and establish this as a common working model at BASF SE was initiated in 2019 with the Fraunhofer Institute for Industrial Engineering IAO. A total of eight pilot units were selected to trial remote working in their team and were scientifically monitored throughout the entire process. For many employees, the main factors behind their decision to work remotely were the travel time savings and the better balance between professional and family life. Almost 95% of participants said that their positive expectations of remote working were fully or largely met.

Other local initiatives specifically address the needs of our employees on site. For example, we are expanding the number of flexible co-working spaces in the Rhine-Neckar region in Germany. Our Work-Life Management employee center in Ludwigshafen (LuMit) offers a number of services under one roof: childcare, fitness and health, social counseling and coaching. BASF Stiftung provides social counseling and coaching to support employees in overcoming difficult life situations and in this way, restore and maintain their employability. For example, it offers comprehensive support for employees with relatives requiring care, including counseling and talks on topics such as dementia or advance healthcare directives. It also provides debt and bankruptcy advisory services, as well as financial aid and loans to support employees experiencing financial difficulties.

## Dialog with employee representatives

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and ongoing dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. In the case of organizational changes or if restructuring leads to staff downsizing, for example, we involve employee representatives to develop socially responsible implementation measures at an early stage. Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational considerations. In 2019, this happened in connection with the agreed sale of the pigments business and the construction chemicals business, subject to the approval of the relevant competition authorities. The early, detailed presentation and explanation of the organizational changes in connection with

<sup>1</sup> In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (e.g., 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 implementation of the new corporate strategy in 2019 was also a reflection of our trust-based cooperation. By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal considerations for each site.

For more information, see [basf.com/employee-representation](https://basf.com/employee-representation)

## Compliance

Compliance topics relevant to BASF SE are presented on pages 46 to 47 of this Management's Report.

### International labor and social standards

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

It forms the basis for our global management process: We monitor and evaluate whether the national law of all the countries in which BASF operates complies with international labor and social standards. If the national law contains no or lower requirements, actions plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is our central due diligence system. Our voluntary commitment to respect international labor and social standards has been integrated into the existing corporate audit process since 2019. For this purpose, preparatory training was held for the auditors. As before, individual elements of the guideline are also reviewed as part of internal control processes such as Responsible Care audits in BASF Group companies.

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

For more information on our sustainability-related risk management, see page 36

## Opportunities and Risks

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

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

### Overall assessment

For 2020, we anticipate much slower global economic growth compared with the previous year. We expect global economic uncertainty to be extremely high and that growth will be significantly depressed by the drop in demand and production outages in connection with the coronavirus outbreak. Important opportunities and risks for our earnings are associated with uncertainty regarding market growth and the development of key customer industries, as well as margin volatility. An escalation of the trade conflicts between the United States and its trade partners and an even greater slowdown of the Chinese economy also pose significant risks. Such a development would have an even greater negative impact on demand for intermediate and investment goods. This would impact the emerging markets that export raw materials as well as the advanced economies. This is especially true for Europe. Further risks to the global economy arise from an escalation of geopolitical conflicts.

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

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

### Risk management process

The BASF Group's risk management process is based on the international risk management standard COSO II Enterprise Risk Management – Integrated Framework (2004), and has the following key features:

#### Organization and responsibilities

- Risk management is the responsibility of the Board of Executive Directors, which also determines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the units Finance, Corporate Development and Legal, Taxes, Insurance & Intellectual Property, and the Chief Compliance Officer. These units coordinate the risk management process at a Group level, examine financial and sustainability-related opportunities and risks, and provide the structure and appropriate methodology. Opportunity and risk management is thus integrated into the strategy, planning and budgeting processes.
- A network of risk managers in the business, functional and corporate units as well as in the regions and at the Verbund sites advances the implementation of appropriate risk management practices in daily operations.
- The management of specific opportunities and risks is largely delegated to the operating divisions, the functional units and the regions, and is steered at a regional or local level. Risks relating to exchange rates and raw materials prices are an exception. In this case, there is an initial consolidation at a Group level before derivative hedging instruments, for example, are used.
- BASF's Chief Compliance Officer (CCO) manages the implementation of our Compliance Management System, supported by additional compliance officers worldwide. He regularly reports to the Board of Executive Directors on the status of implementation as well as on any significant results. He also provides a status report to the Supervisory Board's Audit Committee at least once a year, including any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.
- The internal auditing unit (Corporate Audit) is responsible for regularly auditing the risk management system established by the Board of Executive Directors in accordance with section 91(2) of the German Stock Corporation Act. Furthermore, as part of its monitoring of the Board of Executive Directors, the Supervisory Board considers the effectiveness of the risk management system. The suitability of the early detection system we set up for risks is evaluated by our external auditor.
- The processes will be transferred to the new organization, which became effective as of January 1, 2020. This will not affect the structure or effectiveness of the risk management process.



## Instruments

- The Risk Management Policy, applicable throughout the Group, forms the framework for risk management and is implemented by the operating divisions, the functional units and the regions according to their specific conditions.
- A catalog of opportunity and risk categories helps to identify all relevant financial and sustainability-related opportunities and risks as comprehensively as possible.
- We use standardized evaluation and reporting methods for the identification and assessment of risks. The aggregation of opportunities, risks and sensitivities at division and Group level using a Monte Carlo simulation helps us to identify effects and trends across the Group.
- The sustainability-related topics relevant for BASF are addressed by the responsible operating divisions, functional units and the regions, which assess the risks identified as being relevant according to impact and probability of occurrence. We also systematically assess opportunities and risks with effects that cannot yet be measured in monetary terms, such as reputational risks. We minimize sustainability risks with our sustainability management tools. For instance, we have established global monitoring systems to verify compliance with laws and our voluntary commitments in this area. These also incorporate our suppliers.
- As part of our analysis of sustainability-related opportunities and risks, we also consider the physical risks associated with climate change (such as damage to plants caused by external weather events) and transition risks (such as impairment due to emission levels of plants) as defined by the Task Force on Climate-related Financial Disclosures (TCFD).
- The BASF Group's management is informed about operational opportunities and risks (observation period of up to one year) in the monthly management report produced by the Finance department. In addition, Finance provides information twice a year on the aggregated opportunity/risk exposure of the BASF Group. Furthermore, if a new individual risk is identified which has a more than €10 million impact on earnings or bears reputational risks, it must be immediately reported.
- As part of strategy development, the Corporate Development unit conducts strategic opportunity/risk analyses with a 10-year assessment period. These analyses are annually reviewed as part of strategic controlling and are adapted if necessary.

 For more information on our sustainability management processes, see page 8 onward

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

 For more information on our Group-wide Compliance Program, see page 46 onward

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

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

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

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

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

Moreover, a centralized selection process identifies areas that are exposed to particular risks, that are material to the Financial Statements of BASF SE, or that provide service processes. The selection process is conducted annually. In the relevant areas, one person is given the responsibility of monitoring the execution of the requirements for an effective control system in financial reporting.

The process comprises the following steps:

### – Evaluation of the control environment

Adherence to internal and external guidelines that are relevant for the maintenance of a reliable control environment is checked by means of a standardized questionnaire.

### – Identification and documentation of control activities

In order to mitigate the risks to the financial reporting processes listed in our central risk catalog, critical processes and control activities are documented.

### – Assessment of control activities

After documentation, a review is performed to verify whether the described controls are capable of adequately covering the risks. In the subsequent test phase, samples are taken to test whether, in practice, the controls were executed as described and were effective.

#### – Monitoring of control weaknesses

The managers responsible receive reports on any control weaknesses identified and their resolution, and an interdisciplinary committee investigates their relevance for BASF SE. The Board of Executive Directors and the Audit Committee are informed if control weaknesses with a considerable impact on financial reporting are identified. Only after material control weaknesses have been resolved does the company's managing director confirm the effectiveness of the internal control system.

#### – Internal confirmation of the internal control system

All managing directors and chief financial officers of each consolidated Group company must confirm to the Board of Executive Directors of BASF SE every half-year and at the end of the annual cycle, in writing, that the internal control system is effective with regard to accounting and reporting.

### Short-term opportunities and risks

#### Development of demand

The development of our sales markets is one of the strongest sources of opportunities and risks.

We also consider risks from deviations in assumptions. A significant macroeconomic risk arises from the possibility that measures to contain the coronavirus are kept in place for a longer period of time or expanded, and that Chinese and global economic growth continues to slow as a result. A further escalation of the trade conflicts between the United States and its trade partners pose additional macroeconomic risks. Both can have a considerable impact on demand for intermediate goods for industrial production and demand for investment goods. This would have an effect on emerging markets that export raw materials as well as on advanced economies that specialize in technological goods. Risks to the global economy would also be posed by the possible escalation of geopolitical conflicts.

#### Margin volatility

Margin risks primarily result from a further decline in margins in the Chemicals and Materials segments. New capacities or raw materials shortages could also increase margin pressure on a number of products and value chains. This would have a negative effect on our EBIT. The year's average oil price for Brent crude was \$64 per barrel in 2019, compared with \$71 per barrel in the previous year. For 2020, we anticipate an average oil price of \$60 per barrel. We therefore expect price levels for the raw materials and petrochemical basic products that are important to our business to remain constant.

#### Competition

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

#### Regulation and political risks

Risks for us can arise from intensified geopolitical tensions, new trade sanctions, stricter emissions limits for plants or energy, and climate laws. In addition, risks to BASF SE can be posed by further regulations in key customer industries or on the use or registration of agricultural and other chemicals.

Brexit has given rise to economic and political uncertainties. At this point in time, it is not yet clear what the future relationship between the European Union and the United Kingdom will look like after the transition phase and what specific consequences this will have for our sites, our supply chains and the regulatory environment. A cross-divisional Brexit team has been established to prepare the BASF organization for various scenarios and enable it to promptly react to political decisions. Together with our operating units, suppliers, customers and logistics partners, we have identified problems and steps to avoid supply chain disruptions, especially in the event of a hard Brexit. Alternative logistics concepts include, for example, leasing additional warehouse space, establishing consignment warehouses or technical expansions in our ERP systems to be able to react to additional customs requirements on the systems side as well.

Political measures could also give rise to opportunities. For example, we view measures around the world to increase energy efficiency as an opportunity for increased demand for our products, such as our insulation foams for buildings, battery materials for electromobility, or our solutions for wind turbines. Our broad product portfolio enables us to offer alternatives if chemicals have to be substituted as a result of restrictions in connection with the REACH chemicals regulation or new standards in our customers' industries.

#### Purchasing and supply chain

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

Around the world, the frequency and intensity of extreme weather conditions (such as high/low water levels on rivers or hurricanes) are subject to change as a result of climate change. We address the risk of supply interruptions on the procurement and sales side caused by extreme weather conditions by switching to unaffected logistics carriers and the possibility of falling back on unaffected sites within our global Verbund. We can no longer rule out the effects of extreme low-water situations caused by climate change at our Verbund site in Ludwigshafen, Germany. In 2019, we therefore implemented a package of measures including the development of an early warning system for low water levels, making loading stations more flexible and time chartering ships with high load capacities in the case of low water. These measures can be deployed immediately and make extremely long periods of low water on the Rhine River, like the one in 2018, more manageable.

### Production and investments

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

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

Crisis management also includes dealing with extreme weather conditions such as significantly elevated water temperatures in rivers due to extended heat waves, which limit the available cooling capacity (for example, at the Ludwigshafen site in Germany). Appropriate precautions are taken at the sites in the case of a potential change in risk in connection with climate change. For example, the Verbund site in Ludwigshafen, Germany, implemented a package of measures in 2019 to increase cooling capacity, including expanding and optimizing the central recooling plants and optimizing cooling water flows. These are capable of avoiding production outages due to extreme heatwaves like the one in 2018.

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

### Acquisitions, divestitures and cooperations

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

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

### Personnel

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

### Information technology risks

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

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

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

### Legal disputes and proceedings

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

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

### Financial opportunities and risks

The management of liquidity, currency and interest rate risks is conducted in the Treasury unit. The management of commodity price risks takes place in the Procurement & Supply Chain Services functional unit or in appropriately authorized Group companies. Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions.

As a part of risk management, activities in countries with transfer restrictions are continuously monitored. This includes, for example, regular analysis of the macroeconomic and legal environment, shareholders' equity and the business models of the operating units. The chief aim is the reduction of counterparty, transfer and currency risks.

### Exchange rate volatility

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

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

### Interest rate risks

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

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

### Liquidity risks

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

### Risk of asset losses

We limit country-specific risks with measures based on internally determined country ratings, which are continuously updated to reflect changing environment conditions. We selectively use investment guarantees to limit specific country-related risks. We lower credit risks for our financial investments by engaging in transactions only with banks with good credit ratings and by adhering to fixed limits. Creditworthiness is continuously monitored and the limits are adjusted accordingly. We reduce the risk of default on receivables by continuously monitoring the creditworthiness and payment behavior of our customers and by setting appropriate credit limits. Risks are also limited through the use of credit insurance and bank guarantees. Due to the global activities and diversified customer structure, there are no major concentrations of credit default risk.

### Impairment risks

Asset impairment risk arises if the assumed interest rate in an impairment test increases, the predicted cash flows decline, or investment projects are suspended. Currently, we consider the impairment risk for assets such as shareholdings, customer relationships, technologies and trademarks, goodwill, and equity-accounted investments to be immaterial.

### Long-term incentive program for senior executives

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

For more information on the long-term incentive program, see the Notes on page 80

### Risks from pension obligations

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

### Long-term opportunities and risks

#### Long-term demand development

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

#### Development of competitive and customer landscape

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

We continuously improve our processes in order to remain competitive through our operational excellence. Our strategic Excellence Program serves the same purpose.

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

### Innovation

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

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

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

Potential applications of digital technologies and solutions along the entire value chain are investigated in both the operational and functional divisions as well as by cross-divisional teams, and tested in dedicated pilot projects. They are supported here by the Digitalization & Information Services unit. We analyze the opportunities and risks of digitalization in Production, Logistics, Research & Development and for business models as well as in corporate functions such as Finance, Human Resources, Procurement & Supply Chain Services, Legal, Taxes, Insurance & Intellectual Property. The opportunities and risks of digitalization are steered by the operational and functional divisions.

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

such at the latest. We develop action plans for these products at an early stage to minimize any potential financial risks. These can include research projects, reformulations or even replacing one product with another.

 For more information on digitalization and innovation, see page 6

### **Portfolio development through investments**

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

### **Acquisitions**

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

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

### **Recruitment and long-term retention of qualified employees**

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

### **Sustainability**

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

As part of our general risk management process, we also identify and assess relevant risks arising from sustainability topics such as climate change. Our sustainability management helps to minimize risks and opens up new opportunities to market more sustainable products. We reduce potential risks in the areas of environmental protection, safety and security, health protection, product stewardship, compliance, supplier relationships and labor and social standards by setting ourselves globally uniform requirements. These often go beyond local legal requirements.

We verify compliance with these standards through internal monitoring systems such as global surveys or audits. In 2019, for example, suppliers were audited for sustainability at a number of sites. All employees, managers and Board members are required to adhere to our global Code of Conduct, which defines a binding framework for our activities. The monitoring systems are complemented by grievance mechanisms such as our compliance hotlines.

Risk management in the area of sustainability also includes climate-related risks and opportunities. We consider risks for companies in connection with the transition to a low-carbon economy (transition risks) as well as physical risks as defined by the Task Force on Climate-related Financial Disclosures (TCFD). For BASF as an energy-intensive company, climate-related risks arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation. In addition, BASF's emissions footprint and intensity could lead to a negative perception and reduced appeal among external stakeholders such as customers or investors. We counter these risks with our carbon management measures and by transparently disclosing our positions on and contributions to climate protection (such as political demands, progress in the implementation of our climate strategy and how our products help to protect the environment) in publicly accessible sources (such as on the BASF website) and in direct dialog with external stakeholders. Physical risks to our production and our supply chain are addressed by our risk management in production and in procurement. Our broad product portfolio also includes solutions for the circular economy and climate protection (such as insulation foams for buildings, materials for electromobility and bio-based products). Increased social awareness offers additional market opportunities for these products. We are working with numerous scientific and public organizations and initiatives on solutions for sustainable agriculture that meet economic, ecological, and social demands over the long term.



Our decentralized specialists use a central decision tree to document reportable sustainability risks within the meaning of section 289b et seq. of the German Commercial Code. No reportable residual net risks within the meaning of section 289b et seq. of the German Commercial Code were identified for 2019.

 For more information on sustainability, see page 8 onward

## Outlook

### Global economic environment

For 2020, we expect considerably slower global economic growth compared with 2019. Growth in global chemical production is expected to be well below the 2019 level in 2020.

We assume the following conditions for 2020:

- The global economy is forecast to grow by 2.0%, considerably slower than in 2019 (+2.6%).
- Global chemical production is expected to grow by 1.2% in 2020, well below the 2019 level.
- Overall, we expect global industrial growth to be weaker in 2020, at 1.2% (2019: +1.5%).
- We expect growth momentum in the European Union (E.U.) to continue to slow overall (+0.9%). We anticipate lower growth rates in Germany, France and Spain. For Italy, we are forecasting a slight decline in gross domestic product (GDP). Besides cyclical economic weakness, lower demand for European investment goods and vehicles in China will contribute to this development. In the United Kingdom, the uncertainty surrounding the nature and consequences of its departure from the E.U. remains high, which will dampen investment activity.
- We expect a gradual easing of growth in the United States (+1.7%). The emerging markets of Asia will presumably see much slower growth (+4.2%). We are forecasting flat GDP for Japan (+0.0%). Growth of 0.9% is expected in South America. Leading economic indicators point to ongoing recovery in Brazil. By contrast, the recession in Argentina is likely to continue.
- For 2020, we expect an average oil price of \$60 per barrel for Brent crude and an exchange rate of \$1.15 per euro.

For the years from 2020 to 2022, we expect the global economy to grow at an average annual rate of 2.6%.

### Sales and earnings forecast<sup>1</sup>

Considering the assumptions described above for the development of the global economic environment, we expect sales in 2020 – excluding the effects of acquisitions and divestitures – to increase slightly compared with the previous year. In 2020, we expect income from operations to be on a level with the reporting year, which was impacted by one-off effects in income. In the reporting year, expenses in connection with the implementation of the updated corporate strategy, mainly for restructuring measures, had an offsetting effect. We anticipate further expenses for the implementation of the corporate strategy in 2020, in particular for digitalization and asset reliability.

### Investment forecast

We are planning capital expenditures of around €2.3 billion for 2020 to 2022. Acquisitions are not included in the planned total.

### Forward-looking statements and forecasts

These forecasts contain forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Potential opportunities and risks are presented on pages 30 to 37.

### Dividend

We stand by our ambitious dividend policy and offer our shareholders an attractive dividend yield. We aim to increase our dividend each year.

 Information on the proposed dividend can be found on pages 70 and 85

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



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

## Corporate Governance Report

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

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

### Direction and management by the Board of Executive Directors

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

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

Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made at regularly held Board meetings called by the Chairman 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 Chairman of the Board. However, the Chairman 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 that carefully assess the planned measure and evaluate the associated opportunities and risks, and based on this information, report and make recommendations to the Board – independently of the affected business area.

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 Opportunities and Risks from page 30 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 on page 63.

Compensation of the Board of Executive Directors is described in detail in the Compensation Report from page 49 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 candidates from within the company. It is the task of the Board of Executive Directors to propose a sufficient number of suitable candidates 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 candidates 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 our corporate values into practice

The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional experience, cultural background, international representation, gender and age when appointing members of the Board of Executive Directors. Independent of these individual criteria, the Supervisory Board is convinced that ultimately, only a holistic approach can determine an individual's suitability for appointment to the Board of Executive Directors of BASF SE. The overall aim is 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 number of Board members is based on the 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. In May 2018, this was reduced from eight to seven members in the course of the changes to the composition of the Board of Executive Directors, and again in January 2020 to six members as part of ongoing efficiency measures. The standard age limit for members of the Board of Executive Directors is 63.

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

### **Supervision of company management by the Supervisory Board**

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

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

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

The Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Shareholders' Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group. It is planned to reduce the period of appointment for the members of the Supervisory Board from five to four years. The aim is to ensure that the maximum membership duration up to which a Supervisory Board member can be classified as independent continues to correspond to a total of three election terms. The Supervisory Board reduced this duration from 15 to 12 years in accordance with the new version of the German Corporate Governance Code, which was revised in 2019 (2020 Code). A change to the Statutes to this effect will be proposed to the Annual Shareholders' Meeting 2020.

The meetings of the Supervisory Board and its committees are called by their chairpersons 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 Chairman 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 other means of 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, and risk and compliance management. The Supervisory Board has embedded the main reporting requirements in an information policy. The Chairman of the Supervisory Board is in regular contact with the Board of Executive Directors, especially with its chairman, 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 on page 64

The compensation of the Supervisory Board is presented in the Compensation Report from page 49 onward

📄 The Statutes of BASF SE and the Employee Participation Agreement can be found at [basf.com/statutes](https://basf.com/statutes) and [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

## Personnel Committee

### Members

Dr. Jürgen Hambrecht (chairman), Michael Diekmann (until May 3, 2019), Franz Fehrenbach (since May 3, 2019), 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 (chairman), Tatjana Diether, Franz Fehrenbach (until February 29, 2020), Anke Schäferkordt (since March 1, 2020), Michael Vassiliadis

### Duties

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports including the Nonfinancial Statements and discusses the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication
- Deals with monitoring the financial reporting process, the annual audit, the effectiveness of the internal control system, the risk management system, and the internal auditing system as well as compliance issues
- Is responsible for business relations with the company's external auditor: prepares the Supervisory Board's proposal to the Annual Shareholders' Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the focus areas of the audit together with the auditor, negotiates auditing fees, evaluates the quality of the audit, and establishes the conditions for the provision of the auditor's nonaudit services; the chairman of the Audit Committee regularly discusses this with the auditor outside of meetings as well
- Deals with follow-up assessments of acquisition and investment projects
- 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

Dame Alison Carnwath DBE and Franz Fehrenbach are members with special knowledge of, and experience in, applying accounting and reporting standards and internal control methods pursuant to the German Corporate Governance Code.

## Nomination Committee

### Members

Dr. Jürgen Hambrecht (chairman), Prof. Dr. François Diederich (until May 3, 2019), Prof. Dr. Thomas Carell (since May 3, 2019), Dame Alison Carnwath DBE, Michael Diekmann (until May 3, 2019), Dr. Alexander C. Karp (since May 3, 2019), Franz Fehrenbach, Anke Schäferkordt

### Duties

- Identifies suitable candidates 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. Jürgen Hambrecht (chairman), Dame Alison Carnwath DBE, Michael Diekmann (until May 3, 2019), Franz Fehrenbach (since May 3, 2019), 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 2019 business year, meetings were held as follows:

- The Supervisory Board met six times.
- The Personnel Committee met four times.
- The Audit Committee met five times.
- The Nomination Committee met once.
- The Strategy Committee met once.

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 the meeting of the Nomination Committee, at which one member was absent, all respective members attended all meetings of the Supervisory Board's committees.

For more information on the Supervisory Board's activities and resolutions in the 2019 business year, see the Report of the Supervisory Board from page 66 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](https://basf.com/supervisoryboard)

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

One important concern of good corporate governance is to ensure that seats on the responsible corporate bodies, the Board of Executive Directors and the Supervisory Board, are appropriately filled. On December 21, 2017, the Supervisory Board therefore agreed on objectives for the composition, the competence profile and the diversity concept of the Supervisory Board in accordance with section 5.4.1 of the German Corporate Governance Code in the version dated February 7, 2017, and section 289f(2) no. 6 of the German Commercial Code (HGB). These were expanded on December 19, 2019, in particular with respect to the criteria for assessing independence, based on the new recommendations of the German Corporate Governance Code, which was revised and amended in 2019 (2020 Code). The guiding principle for the composition of the Supervisory Board is to ensure qualified supervision and guidance for the Board of Executive Directors of BASF SE. Candidates shall be proposed 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://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; this currently corresponds to 15 years.
- **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. Effective immediately, 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 a member of the Supervisory Board is no longer considered independent if they have been a member of the board for 12 years or longer. The previous threshold was a membership duration of 15 years. 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 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, or 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, they likewise do not qualify as independent.

### 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 election of the new Supervisory Board member Alexander C. Karp at the Annual Shareholders' Meeting 2019, the competence area of digitalization – which is key to the future viability of BASF – is now also fully covered.

According to the Supervisory Board's assessment, 11 of the 12 current members are considered independent based on the above criteria. Only one Supervisory Board member is no longer classified as independent: Franz Fehrenbach has been a member of the Supervisory Board since January 2008 and thus no longer meets the newly applied criterion of a membership duration of less than 12 years as of January 2020. To continue to ensure the full independence of the Audit Committee, the Supervisory Board therefore resolved to appoint Anke Schäferkordt to the Audit Committee as the second shareholder representative in place of Franz Fehrenbach, effective March 1, 2020.

 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 on page 64

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

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

BASF views the further development and promotion of women as a global duty independent of individual Group companies. We set ourselves ambitious global goals for this and made further progress in 2019. BASF will continue working on expanding the percentage of women in its leadership team. The company is carrying out, and constantly enhancing, worldwide measures to this effect.

### Shareholders' rights

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

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the end of the agenda discussion 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.



## Implementation of the German Corporate Governance Code

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company. BASF SE follows all of the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, the version in force on submission of the Declaration of Conformity. The additional recommendations of the new German Corporate Governance Code, which was revised in 2019 and is still to be published in the Federal Gazette (Bundesanzeiger) (2020 Code), are likewise largely already met. The remaining necessary implementation measures have already been initiated. In the same manner, BASF follows nearly all of the nonobligatory suggestions of both of the above versions of the German Corporate Governance Code. We have not implemented the suggestion to enable shareholders to follow the proceedings of the entire Annual Shareholders' Meeting online. The Annual Shareholders' Meeting is publicly accessible via online broadcast until the end of the speech by the Chairman of the Board of Executive Directors. The subsequent discussion of items on the agenda is not accessible online in order to preserve the character of the Annual Shareholders' Meeting as a meeting attended by our shareholders on-site.

 The joint Declaration of Conformity 2019 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 48

 For more information on the Declaration of Conformity 2019, the implementation of the Code's suggestions and the German Corporate Governance Code, see [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

## Disclosures according to section 289a of the German Commercial Code (HGB) 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, 2019, 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 chairperson, as well as one or more vice chairpersons. The members of the Board of Executive Directors are appointed for a maximum of five years. As a general rule, the initial term of appointment for Board members at BASF is three years. Reappointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach

of the duties pertaining to the Board of Executive Directors and a vote of no confidence by the Annual Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

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

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

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new shares. The contingent capital increase serves to grant shares to the holders of 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 subscription right in certain exceptional cases that are 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 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 non-investment grade rating within 120 days of the change of control event.

In the event of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation (details of which are listed in the Compensation Report on page 60). 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. This change of control compensation will no longer be awarded to outgoing members of the Board of Executive Directors effective January 1, 2020, with the introduction of the amended compensation system for the Board of Executive Directors, which will be submitted for approval to the Annual Shareholders' Meeting on April 30, 2020.

Employees of BASF SE and its subsidiaries who are classed as senior executives will 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.

The remaining specifications stipulated in section 289a(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://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 and for the level of deductibles for the Supervisory Board as recommended in section 3.8(3) of the German Corporate Governance Code in the version dated February 7, 2017 (10% of damages up to one-and-a-half times the fixed annual compensation).

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

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

## **Share dealings of the Board of Executive Directors and Supervisory Board (obligatory reportable and publishable directors' dealings under Article 19(1) of the E.U. Market Abuse Regulation 596/2014 (MAR))**

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 €5,000. In 2019, 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 three and 10,000 BASF shares or BASF ADRs. The price per share was between €56.85 and €68.21. The volume of the individual trades was between €188.31 and €585.500. The disclosed share transactions are published on BASF SE's website.

 For more information on securities transactions reported in 2019, see [basf.com/en/directorsdealings](https://basf.com/en/directorsdealings)

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://basf.com/shares-held)



## Compliance

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

### Compliance Program and Code of Conduct

BASF's Compliance Program is based on our corporate values and voluntary commitments, as well as international standards. It describes our commitment to responsible conduct and expectations around how all BASF employees interact with business partners, officials, colleagues and the community. At the core of our Compliance Program is the global, standardized Code of Conduct received by every employee. 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.

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 not only prevent the disadvantages associated with violations, such as penalties and fines; we also view compliance as the right path toward securing our company's long-term success.

Our efforts are principally aimed at preventing violations from the outset. We perform systematic risk assessments 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 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. Training senior executives is a particular focus. For instance, all newly appointed senior executives attend mandatory classroom training. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 55,000 participants worldwide received around 64,000 hours of compliance training in 2019.

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

### Compliance culture at BASF

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

### Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. The CCO is supported in this task by 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, dedicated specialist departments, such as the Legal department, and company compliance officers. We have also 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.

Worldwide, 408 calls and emails were received by our external hotlines in 2019 (2018: 397). 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 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 2019, violations of our Code of Conduct led to termination of employment in a total of 52 cases (2018: 48) across 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 2019, 86 Group-wide audits of this kind were performed (2018: 84). 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.

 For more information on the Supplier Code of Conduct and supplier assessments, see page 13 onward

 For more information on human rights and labor and social standards, see [basf.com/human\\_rights](https://basf.com/human_rights)

## Declaration of Conformity

### **Declaration of Conformity 2019 of the Board of Executive Directors and the Supervisory Board of BASF SE**

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**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)**

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 electronic Federal Gazette are complied with and have been complied with since the submission of the last Declaration of Conformity in December 2018.

Ludwigshafen, December 2019

**The Supervisory Board**  
of BASF SE

**The Board of Executive Directors**  
of BASF SE

## Compensation Report

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

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 February 7, 2017. At its meeting on December 19, 2019, the Supervisory Board resolved to amend the existing compensation system for the Board of Executive Directors. The amendments also 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 entered into force on January 1, 2020, and from the German Corporate Governance Code (GCGC) in the version dated December 16, 2019, which was submitted to the German Federal Ministry of Justice on January 23, 2020, for review and publication in the Federal Gazette (Bundesanzeiger).

### Principles and structure

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. It is designed to promote sustainable corporate development and ensure a pronounced variability in relation to the performance of the Board of Executive Directors and the BASF Group's success. The external and internal appropriateness of the Board's compensation is reviewed by an independent external auditor on a regular basis. DAX companies in Germany and globally operating companies in the rest of Europe<sup>1</sup> 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 2019, the Supervisory Board engaged an independent external compensation consultant with an appropriateness review. The results of the appropriateness review revealed that the compensation granted to BASF's Board of Executive Directors was within market range for the peer group (horizontal comparison). An assessment of the compensation of an ordinary member of the Board of Executive Directors in relation to the compensation paid to the company's employees and senior executives (vertical comparison) did not provide any indications of inappropriate compensation, nor did an assessment of its development over time.

<sup>1</sup> For more information on the Supervisory Board and its committees, see page 41 and from page 67 onward

<sup>1</sup> 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

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

#### 2. Performance bonus

##### Performance bonus

- Four-year, forward-looking performance period
- The amount of the performance bonus is based on the achievement of set operational targets and strategic medium-term objectives, as well as the BASF Group's ROCE.
- 50% of the performance bonus calculated after the first year is deferred for another three years and paid out after the end of the four-year performance period based on the achievement of strategic targets.
- If the target ROCE is met and the target achievement is 100%, the performance bonus is double the fixed salary (target amount).

The performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. ROCE is also the key performance indicator for the variable compensation of all employees. 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. This target reflects the strategic goal of achieving a ROCE considerably above the cost of capital percentage every year, even if the capital structure and interest rate level change over time. The target value is thus directly linked to the return expected by investors, which also serves as orientation for the BASF Group's value-based management.

For each fiscal year, a member of the Board of Executive Directors is entitled to a performance bonus with a four-year performance period. After the first year of this four-year performance period, the performance bonus (gross) is determined based on the achievement of operational targets (operational performance factor, OPF) and strategic targets (strategic performance factor, SPF) as well as the ROCE (ROCE factor). 50% of the amount is paid out after the Annual Shareholders' Meeting in the following year (performance bonus, part 1).

The remaining 50% is deferred for another three years and is not immediately payable (deferral component). The final amount of the deferral component is determined depending on the degree to which the strategic targets were achieved within the four-year

performance period (strategic performance factor, SPF) and is paid out after the Annual Shareholders' Meeting in the year following the end of this four-year performance period (performance bonus, part 2).

#### Overview of compensation components

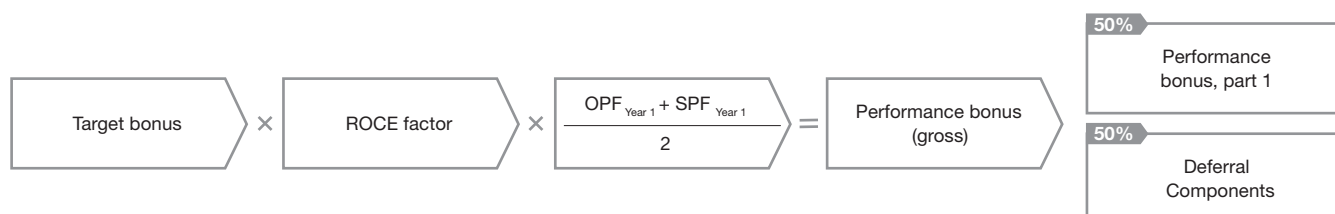
<b>1. Fixed salary</b>	Annual amount	€800,000 <sup>1</sup>
	Payment	In equal installments
<b>2. Performance bonus</b>	Annual target	€1,600,000 <sup>1</sup>
	Cap	€2,500,000 <sup>1</sup>
	Payment	Performance bonus, part 1: after the Annual Shareholders' Meeting for the past business year Performance bonus, part 2: after the end of the four-year performance period
<b>3. Long-term, share price-based incentive program</b>	The annual amount granted is dependent on the fair value of the options as of the grant date and the scope of the individual investment	
	Cap	€3,750,000 <sup>1,2</sup>
	Payment	In a period of 4 to 8 years after the grant date, depending on individual exercise date
<b>4. Fringe benefits</b>	The annual amount corresponds to the value of nonmonetary compensation	
<b>5. Company pension benefits</b>	The annual service cost is the accounting figure for the pension entitlements accrued in the relevant business year	

<sup>1</sup> Amounts apply to an ordinary member of the Board of Executive Directors. The amount for the chairman of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chairman.

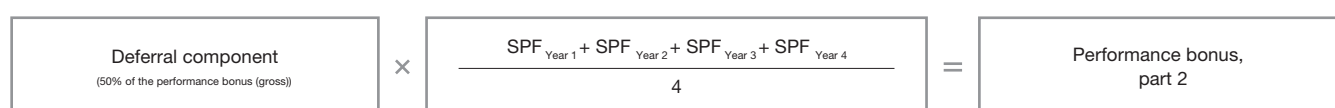
<sup>2</sup> To reach the cap, a Board member must make the maximum individual investment based on the maximum performance bonus and the set limit on the gain from exercising the options granted must be reached.

## Target agreement and evaluation

### Schematic overview: performance bonus, part 1



### Schematic overview: performance bonus, part 2



#### Target agreement

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, investment and operational excellence targets such as EBITDA before special items and sales
- Multiple-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

The Board of Executive Directors' target agreement contains operational and strategic objectives. The operational targets (primarily earnings, financial, investment and operational excellence targets) cover the company's short-term financial performance. The strategic targets relate to BASF's medium and long-term development on the basis of the corporate strategy. They comprise targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and the BASF corporate values.

The achievement of operational and strategic targets is evaluated separately. The amount of the performance bonus thus takes into account the Board of Executive Directors' performance for both the short-term and long-term success of the company.

#### Determination of performance factors

An operational performance factor and a strategic performance factor, each with a value between 0 and 1.5, are 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. The maximum performance factor of 1.5 applies for a target achievement rate of 125% and over; a target achievement rate of 50% or less represents a performance factor of 0.

#### Target achievement and performance factor

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

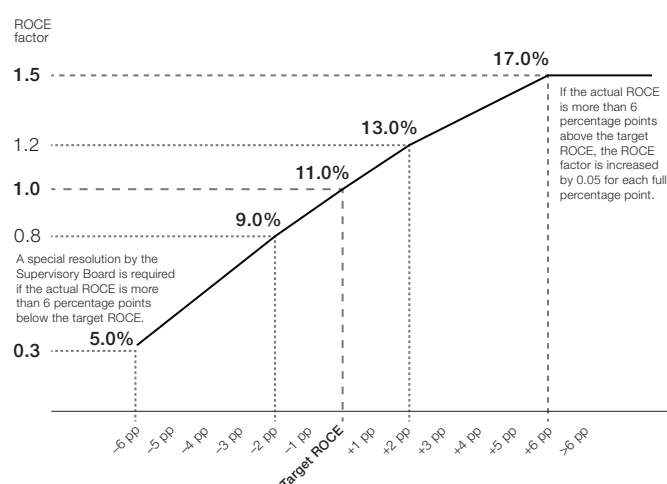
Values between these figures are interpolated

#### Determination of the ROCE factor

The ROCE of the particular fiscal year serves as the key performance indicator for the success of the company when determining the performance bonus. 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.

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 weighted average cost of capital, 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.

If the target ROCE is met and the target achievement is 100%, the performance bonus is double the fixed salary (target amount).

The Supervisory Board sets a maximum amount for the performance bonus (cap). The current total cap is €2,500,000 for an ordinary member of the Board of Executive Directors (performance bonus, part 1 and performance bonus, part 2). The maximum

amount for the chairman of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chairman.

#### Target agreement and target achievement in 2019

The performance bonus (gross) for 2019 was determined on the basis of target achievement as ascertained by the Supervisory Board and ROCE for the 2019 business year.

#### Operational performance factor (OPF<sub>2019</sub>):

The comparison of operational targets with target achievement, taking into account the economic environment forecast at the beginning of the year and actual economic conditions, resulted in an operational performance factor (OPF<sub>2019</sub>) of 0.9:

- Sales did not meet the target of slight growth, mainly from higher sales volumes and portfolio effects.
- The target for EBIT before special items (slight increase) was not met.
- The target of generating a strong free cash flow as a basis for increasing the dividend was met.

In determining the operational performance factor, the Supervisory Board took into account the fact that only 50% of its expectations for the economic environment at the time the 2019 budget was adopted were fulfilled.

#### Strategic performance factor (SPF<sub>2019</sub>):

Overall, the strategic targets were reached in 2019, resulting in a strategic performance factor (SPF<sub>2019</sub>) of 1.0:

- The volumes growth and Accelerator sales targets were not met.
- The employee engagement target was met despite comprehensive restructuring and portfolio measures.
- The targets on the share of investment in emerging markets, portfolio restructuring, leveraging synergies, and CO<sub>2</sub> equivalent emissions were exceeded.

For the 2018 performance bonus period (2018–2021), a strategic performance factor of 1.1 was determined in 2019 for the deferral component based on the targets agreed in 2018.

#### ROCE factor 2019:

The BASF Group's ROCE, which is used to determine compensation, was 7.7% in 2019. The target ROCE for 2019 was 11%, with the average cost of capital unchanged at 10%. Accordingly, the ROCE factor for 2019 was 0.6375.

#### Performance bonus (gross) for a full-year ordinary member of the Board of Executive Directors

Target amount 2019 performance bonus (2019–2022):	×	ROCE factor 2019:	×	OPF <sub>2019</sub> + SPF <sub>2019</sub> 2	=	Actual amount 2019 performance bonus (gross) (2019–2022):
€1,600,000		0.6375		0.9 + 1.0 2		€969,000



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

#### LTI program

- 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 obligation: 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

An LTI program exists for members of the Board of Executive Directors. It is also offered to all other senior executives of the BASF Group, with a small number of modifications. 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 2019 was €68.21 (2018: €85.45).

- 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 and can amount to a maximum of €3,750,000 for an ordinary member of the Board of Executive Directors. The maximum amount for the chairman of the Board of Executive Directors is two times the maximum value for an ordinary Board member, and 1.33 times this value for the vice chairman.

Due to the multiple-year exercise period, it can occur that exercise gains from several LTI program years accumulate inside of one year; there can also be years without any exercise gains.

 For more information on share ownership by members of the Board of Executive Directors, see page 45

For more information on the LTI program, see page 59

#### 4. Nonmonetary compensation and other additional compensation (fringe benefits)

Members of the Board of Executive Directors receive various fringe benefits in addition to the abovementioned cash compensation. Fringe benefits include delegation allowances, accident insurance premiums, transportation and benefits from the provision of security measures by the company. The fringe benefits granted by the company are subject to specific provisions and thereby also limited in its amount.

The members of the Board of Executive Directors are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company. 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.

#### 5. Company pension benefits

##### Board Performance Pension

- Accrual of annual pension units, the amount of which depend on the company's success and the performance of the Board of Executive Directors as a whole
- Pension entitlement: retirement, disability and surviving dependents' pensions
- Pension benefits due: On reaching the retirement age of 60 (63 for members first appointed to the Board of Executive Directors since 2017) or on account of disability or death

As part of the pension benefits granted to the Board of Executive Directors (Board Performance Pension), company pension benefits are intended to accrue annual pension units, the amount of which depends on the company's success and the performance of the Board of Executive Directors as a whole in the business year concerned. The method used to determine the amount of the pension benefits generally corresponds to that used for all other senior executives of the BASF Group in Germany. The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed salary above the social security contribution ceiling by 32% (fixed pension component).

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 (variable pension component).

The amount resulting from the fixed and the variable pension component is converted into a pension unit (lifelong pension) using actuarial factors (annuity conversion factor). The currently applied annuity conversion factor is based on an actuarial interest rate of 5%, the probability of death, invalidity and bereavement according to Heubeck Richttafeln, 2005G (modified) and an assumed pension increase (at least 1% each year).

The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit in the event of a claim.

This is the amount that is payable on retirement, disability or death. Pension benefits fall due at the end of service on reaching the age of 60 (for members first appointed to the Board of Executive Directors after January 1, 2017: on reaching the age of 63), or on account of disability or death. Pension payments are reviewed on a regular basis and adjusted by at least 1% each year. Members of the Board of Executive Directors have the option to choose between payment of their pension entitlements in the form of a lifelong pension or a lump sum. The amount of the lump-sum payment is calculated by capitalizing the annual pension entitlement accrued as of the end of the service period as a member of the Board of Executive Directors.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board of Executive Directors, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans and 20% each for three or more orphans of the pension entitlement of the deceased (former) Board member. Total survivor benefits may not exceed 75% of the Board member's pension entitlement. If the survivor pensions exceed the upper limit, they will be proportionately reduced.

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes of the BASF Pensionskasse VVaG and the General Conditions of Insurance.

#### Withholding and clawback clause

A withholding and clawback clause was introduced as of January 1, 2018, for the performance bonus and the LTI program for all members of the Board of Executive Directors. 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.

### **Amount of total compensation**

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The tables on pages 56 to 61 show the granted and allocated compensation as well as service cost of each member of the Board of Executive Directors in accordance with section 4.2.5(3) of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

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

The table “Compensation granted in accordance with the German Corporate Governance Code (GCGC)” shows: fixed salary, fringe benefits, performance bonus, LTI program measured at fair value as of the grant date and service cost. 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)” due to the disclosures required by section 285 no. 9a of the German Commercial Code (HGB) in connection with the German Accounting Standard 17 (GAS 17).

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

Thousand €

	Dr. Martin Brudermüller Chairman of the Board of Executive Directors (since May 4, 2018)				Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors (since May 4, 2018)			
	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)
Fixed salary	1,416	1,600	1,600	1,600	973	1,064	1,064	1,064
Fringe benefits	136	60	60	60	112	69	69	69
<b>Total</b>	<b>1,552</b>	<b>1,660</b>	<b>1,660</b>	<b>1,660</b>	<b>1,085</b>	<b>1,133</b>	<b>1,133</b>	<b>1,133</b>
One-year variable target compensation	1,416	1,600	0	2,500	973	1,064	0	1,663
50% of the 2018 performance bonus (2018–2021)	1,416	–	–	–	973	–	–	–
50% of the 2019 performance bonus (2019–2022)	–	1,600	0	2,500	–	1,064	0	1,663
Multiple-year variable compensation	2,303	2,346	0	6,253	1,640	1,577	0	4,244
50% of the 2018 performance bonus (2018–2021), deferral component	1,416	–	–	–	973	–	–	–
50% of the 2019 performance bonus (2019–2022), deferral component	–	1,600	0	2,500	–	1,064	0	1,663
LTI program 2018 (2018–2026)	887	–	–	–	667	–	–	–
LTI program 2019 (2019–2027)	–	746	0	3,753	–	513	0	2,581
<b>Total</b>	<b>5,271</b>	<b>5,606</b>	<b>1,660</b>	<b>10,413</b>	<b>3,698</b>	<b>3,774</b>	<b>1,133</b>	<b>7,040</b>
Service cost	812	436	436	436	449	272	272	272
<b>Total compensation in accordance with GCGC</b>	<b>6,083</b>	<b>6,042</b>	<b>2,096</b>	<b>10,849</b>	<b>4,147</b>	<b>4,046</b>	<b>1,405</b>	<b>7,312</b>
<b>Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17</b>								
Less granted 2018 performance bonus (2018–2021), (one-year component and deferral component)	(2,832)	–			(1,946)	–		
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral component)	–	(3,200)			–	(2,128)		
Plus allocated actual annual variable compensation (performance bonus, part 1)	1,251	969			860	644		
Less service cost	(812)	(436)			(449)	(272)		
<b>Total compensation</b>	<b>3,690</b>	<b>3,375</b>			<b>2,612</b>	<b>2,290</b>		

Thousand €

	Dr. Markus Kamieth				Wayne T. Smith			
	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)
Fixed salary	800	800	800	800	888 <sup>1</sup>	800 <sup>1,4</sup>	800 <sup>1,4</sup>	800 <sup>1,4</sup>
Fringe benefits	41	46	46	46	165 <sup>2</sup>	340 <sup>2</sup>	340 <sup>2</sup>	340 <sup>2</sup>
<b>Total</b>	<b>841</b>	<b>846</b>	<b>846</b>	<b>846</b>	<b>1,053</b>	<b>1,140</b>	<b>1,140</b>	<b>1,140</b>
One-year variable target compensation	800	800	0	1,250	800	800	0	1,250
50% of the 2018 performance bonus (2018–2021)	800	–	–	–	800	–	–	–
50% of the 2019 performance bonus (2019–2022)	–	800	0	1,250	–	800	0	1,250
Multiple-year variable compensation	1,292	1,221	0	3,371	1,596	1,312	0	3,371
50% of the 2018 performance bonus (2018–2021), deferral component	800	–	–	–	800	–	–	–
50% of the 2019 performance bonus (2019–2022), deferral component	–	800	0	1,250	–	800	0	1,250
LTI program 2018 (2018–2026)	492	–	–	–	796	–	–	–
LTI program 2019 (2019–2027)	–	421	0	2,121	–	512	0	2,121
<b>Total</b>	<b>2,933</b>	<b>2,867</b>	<b>846</b>	<b>5,467</b>	<b>3,449</b>	<b>3,252</b>	<b>1,140</b>	<b>5,761</b>
Service cost	610	449	449	449	540	393	393	393
<b>Total compensation in accordance with GCGC</b>	<b>3,543</b>	<b>3,316</b>	<b>1,295</b>	<b>5,916</b>	<b>3,989</b>	<b>3,645</b>	<b>1,533</b>	<b>6,154</b>
<b>Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17</b>								
Less granted 2018 performance bonus (2018–2021), (one-year component and deferral component)	(1,600)	–			(1,600)	–		
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral component)	–	(1,600)			–	(1,600)		
Plus allocated actual annual variable compensation (performance bonus, part 1)	707	485			707	485		
Less service cost	(610)	(449)			(540)	(393)		
<b>Total compensation</b>	<b>2,040</b>	<b>1,752</b>			<b>2,556</b>	<b>2,137</b>		

<sup>1</sup> Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

<sup>2</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

<sup>3</sup> Fringe benefits include the payment of additional taxes for 2018 and/or 2019 and tax back payments for previous years arising in connection with transfers.

<sup>4</sup> From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

Saori Dubourg				Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)				Michael Heinz			
2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)
800	800	800	800	761 <sup>1</sup>	800 <sup>1,4</sup>	800 <sup>1,4</sup>	800 <sup>1,4</sup>	800	800	800	800
58	356	356	356	1,637 <sup>2,3</sup>	1,727 <sup>2,3</sup>	1,727 <sup>2,3</sup>	1,727 <sup>2,3</sup>	34	36	36	36
<b>858</b>	<b>1,156</b>	<b>1,156</b>	<b>1,156</b>	<b>2,398</b>	<b>2,527</b>	<b>2,527</b>	<b>2,527</b>	<b>834</b>	<b>836</b>	<b>836</b>	<b>836</b>
800	800	0	1,250	800	800	0	1,250	800	800	0	1,250
800	–	–	–	800	–	–	–	800	–	–	–
–	800	0	1,250	–	800	0	1,250	–	800	0	1,250
1,130	1,001	0	2,263	1,467	1,221	0	3,371	1,467	1,221	0	3,371
800	–	–	–	800	–	–	–	800	–	–	–
–	800	0	1,250	–	800	0	1,250	–	800	0	1,250
330	–	–	–	667	–	–	–	667	–	–	–
–	201	0	1,013	–	421	0	2,121	–	421	0	2,121
<b>2,788</b>	<b>2,957</b>	<b>1,156</b>	<b>4,669</b>	<b>4,665</b>	<b>4,548</b>	<b>2,527</b>	<b>7,148</b>	<b>3,101</b>	<b>2,857</b>	<b>836</b>	<b>5,457</b>
610	450	450	450	531	367	367	367	455	279	279	279
<b>3,398</b>	<b>3,407</b>	<b>1,606</b>	<b>5,119</b>	<b>5,196</b>	<b>4,915</b>	<b>2,894</b>	<b>7,515</b>	<b>3,556</b>	<b>3,136</b>	<b>1,115</b>	<b>5,736</b>
(1,600)	–			(1,600)	–			(1,600)	–		
–	(1,600)			–	(1,600)			–	(1,600)		
707	485			707	485			707	485		
(610)	(450)			(531)	(367)			(455)	(279)		
<b>1,895</b>	<b>1,842</b>			<b>3,772</b>	<b>3,433</b>			<b>2,208</b>	<b>1,742</b>		

<sup>1</sup> Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

<sup>2</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

<sup>3</sup> Fringe benefits include the payment of additional taxes for 2018 and/or 2019 and tax back payments for previous years arising in connection with transfers.

<sup>4</sup> From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

The table below shows the options granted to the Board of Executive Directors on July 1 of both reporting years.

#### Number of options granted

	2019	2018
Dr. Martin Brudermüller	44,024	33,892
Saori Dubourg	11,880	12,600
Dr. Hans-Ulrich Engel	30,268	25,484
Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)	24,880	25,484
Michael Heinz	24,880	25,484
Dr. Markus Kamieth	24,880	18,792
Wayne T. Smith	24,880	25,484
<b>Total</b>	<b>185,692</b>	<b>167,220</b>

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

The "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)" presented comprises the fixed and variable compensation components actually allocated, plus the service cost calculated for each member of the Board of Executive Directors in the reporting years even though this does not actually represent payment in the narrower sense.

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

Thousand €

	Dr. Martin Brudermüller Chairman of the Board of Executive Directors (since May 4, 2018)		Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors (since May 4, 2018)		Saori Dubourg		Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)	
	2018	2019	2018	2019	2018	2019	2018	2019
Fixed salary	1,416	1,600	973	1,064	800	800	761 <sup>3</sup>	800 <sup>3,6</sup>
Fringe benefits	136	60	112	69	58	356	1,637 <sup>4,5</sup>	1,727 <sup>4,5</sup>
<b>Total</b>	<b>1,552</b>	<b>1,660</b>	<b>1,085</b>	<b>1,133</b>	<b>858</b>	<b>1,156</b>	<b>2,398</b>	<b>2,527</b>
One-year variable compensation	1,251	969	860	644	707	485	707	485
2018 performance bonus (2018–2021), part 1 <sup>1</sup>	1,251	–	860	–	707	–	707	–
2019 performance bonus (2019–2022), part 1 <sup>1</sup>	–	969	–	644	–	485	–	485
Multiple-year variable compensation	–	–	1,401	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	1,401 <sup>2</sup>	–	–	–	–	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–
LTI program 2014 (2014–2022)	–	–	–	–	–	–	–	–
<b>Total</b>	<b>2,803</b>	<b>2,629</b>	<b>3,346</b>	<b>1,777</b>	<b>1,565</b>	<b>1,641</b>	<b>3,105</b>	<b>3,012</b>
Service cost	812	436	449	272	610	450	531	367
<b>Total compensation in accordance with GCGC</b>	<b>3,615</b>	<b>3,065</b>	<b>3,795</b>	<b>2,049</b>	<b>2,175</b>	<b>2,091</b>	<b>3,636</b>	<b>3,379</b>

<sup>1</sup> 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).

<sup>2</sup> In 2018, at the end of the regular term of the LTI program 2010, exercise gains that were realized in 2017 and 2018 were allocated to Dr. Hans-Ulrich Engel in accordance with the special conditions of the U.S. LTI program.

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

<sup>4</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

<sup>5</sup> Fringe benefits include the payment of additional taxes and tax back payments for previous years arising in connection with transfers.

<sup>6</sup> From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

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

Thousand €

	Michael Heinz		Dr. Markus Kamieth		Wayne T. Smith	
	2018	2019	2018	2019	2018	2019
Fixed salary	800	800	800	800	888 <sup>3</sup>	800 <sup>3,6</sup>
Fringe benefits	34	36	41	46	165 <sup>4</sup>	340 <sup>4</sup>
<b>Total</b>	<b>834</b>	<b>836</b>	<b>841</b>	<b>846</b>	<b>1,053</b>	<b>1,140</b>
One-year variable compensation	707	485	707	485	707	485
2018 performance bonus (2018–2021), part 1 <sup>1</sup>	707	–	707	–	707	–
2019 performance bonus (2019–2022), part 1 <sup>1</sup>	–	485	–	485	–	485
Multiple-year variable compensation	–	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	–	–	–	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–
LTI program 2014 (2014–2022)	–	–	–	–	–	–
<b>Total</b>	<b>1,541</b>	<b>1,321</b>	<b>1,548</b>	<b>1,331</b>	<b>1,760</b>	<b>1,625</b>
Service cost	455	279	610	449	540	393
<b>Total compensation in accordance with GCGC</b>	<b>1,996</b>	<b>1,600</b>	<b>2,158</b>	<b>1,780</b>	<b>2,300</b>	<b>2,018</b>

<sup>1</sup> 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).

<sup>2</sup> In 2018, at the end of the regular term of the LTI program 2010, exercise gains that were realized in 2017 and 2018 were allocated to Dr. Hans-Ulrich Engel in accordance with the special conditions of the U.S. LTI program.

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

<sup>4</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

<sup>5</sup> Fringe benefits include the payment of additional taxes and tax back payments for previous years arising in connection with transfers.

<sup>6</sup> From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

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

In 2019, the option rights granted resulted in an expense. This expense refers to the total of all option rights from the LTI programs 2011 to 2019 and is calculated as the difference in the fair value of the option rights on December 31, 2019, compared with the fair value on December 31, 2018, considering the option rights exercised and granted in 2019. 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 2019: Dr. Martin Brudermüller: expense of €464 thousand (2018: income of €4,170 thousand); Dr. Hans-Ulrich Engel: expense of €339 thousand (2018: income of €3,821 thousand); Saori Dubourg: expense of €66 thousand (2018: expense of €12 thousand); Sanjeev Gandhi: expense of €790 thousand (2018: income of €185 thousand); Michael Heinz: expense of €334 thousand (2018: income of €2,636 thousand); Dr. Markus Kamieth: expense of €124 thousand (2018: expense of €13 thousand); Wayne T. Smith: expense of €298 thousand (2018: income of €1,602 thousand).

For more information on the LTI program, see page 53

## Pension benefits

The values in accordance with German commercial law for service cost incurred in 2019 contain service cost for BASF Pensionskasse VVaG and for the Board Performance Pension. Service cost for the members of the Board of Executive Directors is shown individually in the tables "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" and "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)."



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 2019 (as of December 31 in each case), calculated in accordance with the provisions of German commercial law.

Thousand €

	2019	2018
Dr. Martin Brudermüller	13,347	15,030
Saori Dubourg	4,095	3,032
Dr. Hans-Ulrich Engel	10,182	8,741
Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)	3,348	3,257
Michael Heinz	10,567	9,032
Dr. Markus Kamieth	3,373	2,404
Wayne T. Smith	4,867	4,019
<b>Total</b>	<b>49,779</b>	<b>45,515</b>

#### 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 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.

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 of a change of control event, the Board member will receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed salary and annual variable target compensation). The Board member may also receive the fair value of the option rights acquired in connection with the LTI program within a period of three months or may continue to hold the existing rights under the terms of the program. For the determination of the accrued pension benefits from the Board Performance Pension, the time up to the regular expiry of office is taken into consideration.

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 business year

and, if appropriate, also the expected total compensation for the current business year. If the appointment to the Board of Executive Directors is prematurely terminated as the result of a change of control event, the payments may not exceed 150% of the severance compensation cap.

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 of €164,583 per month was agreed for a two-year, post-contractual non-compete obligation. Sanjeev Gandhi must have any other earnings deducted from this amount if the non-compete compensation and other earnings exceed €320,000 gross per month. The same also applies if the non-compete compensation and the other earnings together exceed a total of €7,680,000 gross within 24 months.

#### Amendment of the compensation system for the Board of Executive Directors as of January 1, 2020

Against the background of the new BASF corporate strategy and the changed regulatory requirements under the German Act Implementing the Second E.U. Shareholder Rights Directive (ARUG II), which entered into force on January 1, 2020, and the new version of the GCGC, the Supervisory Board resolved in its meeting on December 19, 2019, to amend the existing compensation system for the Board of Executive Directors. The changes to the compensation system are to become effective as of January 1, 2020, for all current members of the Board of Executive Directors and will be submitted for approval to the Annual Shareholders' Meeting on April 30, 2020, in accordance with section 120a(1) of the German Stock Corporation Act (AktG).

The amendments to the compensation system for the Board of Executive Directors relate to the following components:

- **One-year variable compensation / short-term incentive (STI):** The previous one-year component of the performance bonus program (performance bonus, part 1) will be continued in the form of an STI. Like the performance bonus, part 1, it will be based on the achievement of operational and strategic targets as well as the return on capital employed (ROCE) for the fiscal year, which is also relevant for the compensation of all employees.
- **Multiple-year variable compensation / long-term incentive (LTI):** The previous performance bonus, part 2, which was granted for multiple years (three-year deferral component), and the long-term share price-based compensation program will be replaced by a new LTI in the form of a performance share plan with growth, profitability and sustainability targets taken directly from the corporate strategy. An LTI plan with a term of four years will be granted for each fiscal year. The amount paid out depends on the achievement of strategic targets and the development of the total shareholder return (share price and dividends) over the four-year performance period.
- **Company pension benefits:** The previous performance pension, which was structured as a defined benefit plan, will be replaced by a new pension model. The members of the Board of Executive Directors can choose between a defined contribution plan with

fixed annual contributions or a pension allowance of the same amount.

- **Share ownership obligation (share ownership guideline):** The individual investment in BASF shares required under the previous LTI program will be discontinued. In the future, members of the Board of Executive Directors will have an individual share ownership obligation that requires them to hold a given number of BASF shares during the term of their Board membership and for a limited period of time thereafter. The current members of the Board of Executive Directors already held a large number of shares prior to the date the share ownership obligation came into force.

 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://basf.com/shares-held)

The previous withholding and clawback clause for the STI and LTI programs remains unchanged.

A comprehensive explanation of the amendments to the compensation system for the Board of Executive Directors will be published with the invitation to the 2020 Annual Shareholders' Meeting.

#### Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to €11.5 million in 2019 (2018: minus €5.5 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program, as well as the expense for 2019 relating to option rights that previous members of the Board still hold from the time of their active service period. The increase in total compensation was due to the fair value measurement of these option rights, which generated total expenses of €0.6 million in 2019. This generated income of €16.1 million in 2018, mainly due to the lower accounting valuation of the option rights due to the lower share price.

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

Million €	2019	2018
Retirement and surviving dependents' pensions	10.9	10.6
Income/expense from the fair value measurement of option rights	0.6	(16.1)
<b>Total</b>	<b>11.5</b>	<b>(5.5)</b>

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.

Calculated in accordance with the provisions of German commercial law, pension provisions for previous Board members and their surviving dependents amounted to €156.9 million (2018: €128.6 million).

#### Compensation of Supervisory Board members

##### Compensation of Supervisory Board members

- Fixed salary: €200,000<sup>1</sup>
- 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<sup>2</sup>; Audit Committee: €50,000<sup>2</sup>
- No additional compensation is paid for the Nomination Committee

<sup>1</sup> The amount for the chairman of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chairman compared with the compensation of an ordinary member.

<sup>2</sup> The amount for the chairman of a committee is two times this value, and 1.5 times this value for the vice chairman.

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

Each member of the Supervisory Board receives an annual fixed compensation of €200,000. The amount for the chairman of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chairman compared with the compensation of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive an additional fixed compensation of €12,500. The additional fixed compensation for members of the Audit Committee is €50,000. The amount of additional fixed compensation for the chairman of a committee is two times this value, and 1.5 times this value for the vice chairman.

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 2019 was around €3.3 million (2018: around €3.3 million). The compensation of the individual Supervisory Board members was as follows.

### Compensation of the Supervisory Board of BASF SE

Thousand €

	Fixed salary		Compensation for committee memberships		Total compensation	
	2019	2018	2019	2018	2019	2018
Dr. Jürgen Hambrecht, Chairman <sup>1,2</sup>	500.0	500.0	50.0	50.0	550.0	550.0
Michael Diekmann, Vice Chairman until May 3, 2019 <sup>3</sup>	125.0	300.0	13.0	31.3	138.0	331.3
Franz Fehrenbach, Vice Chairman since May 3, 2019 <sup>4,5</sup>	266.7	200.0	66.6	50.0	333.3	250.0
Sinischa Horvat, Vice Chairman <sup>6,7</sup>	300.0	300.0	25.0	25.0	325.0	325.0
Ralf-Gerd Bastian, Supervisory Board member until May 4, 2018 <sup>8</sup>	–	83.3	–	26.0	–	109.3
Prof. Dr. Thomas Carell, Supervisory Board member since May 3, 2019	133.3	–	–	–	133.3	–
Dame Alison Carnwath DBE <sup>7,9</sup>	200.0	200.0	112.5	112.5	312.5	312.5
Prof. Dr. François Diederich, Supervisory Board member until May 3, 2019	83.3	200.0	–	–	83.3	200.0
Tatjana Diether, Supervisory Board member since May 4, 2018 <sup>10</sup>	200.0	133.3	50.0	33.3	250.0	166.6
Francesco Grioli, Supervisory Board member until May 4, 2018	–	83.3	–	–	–	83.3
Waldemar Helber <sup>11</sup>	200.0	200.0	12.5	8.3	212.5	208.3
Dr. Alexander C. Karp, Supervisory Board member since May 3, 2019	133.3	–	–	–	133.3	–
Anke Schäferkordt	200.0	200.0	–	–	200.0	200.0
Denise Schellemans	200.0	200.0	–	–	200.0	200.0
Roland Strasser, Supervisory Board member since May 4, 2018	200.0	133.3	–	–	200.0	133.3
Michael Vassiliadis <sup>4,6,7</sup>	200.0	200.0	75.0	75.0	275.0	275.0
<b>Total</b>	<b>2,941.6</b>	<b>2,933.2</b>	<b>404.6</b>	<b>411.4</b>	<b>3,346.2</b>	<b>3,344.6</b>

<sup>1</sup> Chairman of the Personnel Committee

<sup>2</sup> Chairman of the Strategy Committee

<sup>3</sup> Member of the Personnel Committee and Vice Chairman of the Strategy Committee until May 3, 2019

<sup>4</sup> Member of the Audit Committee

<sup>5</sup> Member of the Personnel and Strategy Committees since May 3, 2019

<sup>6</sup> Member of the Personnel Committee

<sup>7</sup> Member of the Strategy Committee

<sup>8</sup> Member of the Audit and Strategy Committees until May 4, 2018

<sup>9</sup> Chairman of the Audit Committee

<sup>10</sup> Member of the Audit Committee since May 4, 2018

<sup>11</sup> Member of the Strategy Committee since May 4, 2018

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders' Meeting, which takes delivery of the Consolidated Financial Statements for the business year. Accordingly, compensation relating to the year 2019 will be paid following the Annual Shareholders' Meeting on April 30, 2020, taking into account and applying the share purchase obligation.

In 2019, as in 2018, the company paid Prof. Dr. François Diederich, who retired from the Supervisory Board as of May 3, 2019, a total of CHF 38,400 (2019: approximately €34,500; 2018: approximately €33,200) for consulting work in the area of chemical research based on a consulting contract approved by the Supervisory Board. Beyond this, no other Supervisory Board members received any compensation in 2019 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 45

## Management and Supervisory Boards

### Board of Executive Directors

**There were seven members on the Board of Executive Directors of BASF SE as of December 31, 2019. As of January 1, 2020, the Board of Executive Directors comprises six members. The responsibilities within the Board have been reallocated.**

#### Dr. Martin Bruder Müller

Chairman of the Board of Executive Directors

Degree: Chemistry, 58 years old, 32 years at BASF

**Responsibilities until December 31, 2019:** Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance; Corporate Technology & Operational Excellence; Innovation Management

**Responsibilities since January 1, 2020:** 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, 60 years old, 32 years at BASF

**Responsibilities until December 31, 2019:** Corporate Controlling; Corporate Audit; Finance; Catalysts; Coatings; Oil & Gas; Procurement & Supply Chain Services; Digitalization & Information Services

**Responsibilities since January 1, 2020:** 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, until April 30, 2019 Wintershall Holding GmbH (Chairman of the Supervisory Board)

Wintershall AG (Chairman of the Supervisory Board)

**Comparable German and non-German supervisory bodies:**

Nord Stream AG (member of the Shareholders' Committee)

#### Michael Heinz

Degree: MBA, 55 years old, 36 years at BASF

**Responsibilities until December 31, 2019:** Engineering & Technical Expertise; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

**Responsibilities since January 1, 2020:** Corporate Environmental Protection, Health & Safety; European Site & Verbund Management; Global Engineering Services; 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 since May 1, 2019)

**Comparable German and non-German supervisory bodies:**

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

#### Dr. Markus Kamieth

Degree: Chemistry, 49 years old, 21 years at BASF

**Responsibilities until December 31, 2019:** Care Chemicals; Dispersions & Pigments; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; South America

**Responsibilities since January 1, 2020:** Catalysts; Coatings; Dispersions & Pigments; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; 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 since February 1, 2019)

#### Saori Dubourg

Degree: Business, 48 years old, 23 years at BASF

**Responsibilities until December 31, 2019:** Agricultural Solutions; Construction Chemicals; Bioscience Research; Europe

**Responsibilities since January 1, 2020:** Agricultural Solutions; Care Chemicals; Nutrition & Health; Construction Chemicals; Bioscience Research; 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 since May 1, 2019)

#### Wayne T. Smith

Degrees: Chemical Engineering, MBA, 59 years old, 16 years at BASF

**Responsibilities until December 31, 2019:** Monomers; Performance Materials; Process Research & Chemical Engineering; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America

**Responsibilities since January 1, 2020:** Monomers; Performance Materials; Petrochemicals; Intermediates; Process Research & Chemical Engineering; Market & Business Development, Site & Verbund Management North America; Country Platforms North America

**First appointed:** 2012, **term expires:** 2022

#### Sanjeev Gandhi (until December 31, 2019)

Degrees: Chemical Engineering, MBA, 53 years old, 26 years at BASF

**Responsibilities until December 31, 2019:** Intermediates; Petrochemicals; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

**First appointed:** 2014, **term expires:** December 31, 2019

## 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. 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 Supervisory Board comprises the following members:

**Dr. Jürgen Hambrecht, Neustadt an der Weinstraße, Germany\*<sup>1</sup>**  
Chairman of the Supervisory Board of BASF SE  
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:**

Fuchs Petrolub SE<sup>3</sup> (chairman until May 7, 2019)

Trumpf GmbH & Co. KG<sup>4</sup> (chairman)

Daimler AG<sup>3</sup> (member)

Daimler Truck AG<sup>3</sup> (member since September 24, 2019)

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

**Franz Fehrenbach, Stuttgart, Germany<sup>1</sup>**

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 GmbH<sup>4</sup> (chairman)

Stihl AG<sup>3</sup> (vice chairman)

Linde AG<sup>3</sup> (second deputy chairman until April 8, 2019)

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

Stihl Holding AG & Co. KG<sup>4</sup> (member of the Advisory Board)

Linde plc<sup>3</sup> (member of the Board of Directors)

**Sinischa Horvat, Limburgerhof, Germany\*<sup>2</sup>**

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\*<sup>1</sup>**

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\*<sup>1</sup>**

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:**

Zürich Insurance Group AG<sup>3</sup> (independent, non-executive member of the Board of Directors)

Zürich Versicherungs-Gesellschaft AG (subsidiary of Zurich Insurance Group AG)<sup>4</sup> (independent, non-executive member of the Board of Directors)

BP plc<sup>3</sup> (non-executive director)

PACCAR Inc.<sup>3</sup> (independent member of the Board of Directors)

Coller Capital Ltd.<sup>4</sup> (non-executive member of the Board of Directors)

Broadwell Capital Limited<sup>4</sup> (non-executive member of the Board of Directors)

**Tatjana Diether, Limburgerhof, Germany\*<sup>2</sup>**

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\*<sup>2</sup>**

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

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

<sup>1</sup> Shareholder representative

<sup>2</sup> Employee representative

<sup>3</sup> Publicly listed

<sup>4</sup> Not publicly listed



**Dr. Alexander C. Karp, Palo Alto, California\*<sup>1</sup>**

CEO Palantir Technologies Inc.

**Member of the Supervisory Board since:** May 3, 2019**Memberships of statutory supervisory boards in Germany:**Axel Springer SE<sup>3</sup> (member until December 31, 2019)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:**The Economist Newspaper Limited<sup>4</sup> (non-executive director until November 28, 2019)**Anke Schäferkordt, Cologne, Germany\*<sup>1</sup>**

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,<sup>4</sup> partner with unlimited liability of Serviceplan Group SE & Co. KG (member since July 1, 2019)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:**Wayfair Inc.<sup>3</sup> (non-executive director since September 17, 2019)**Denise Schellekens, Brecht, Belgium\*<sup>2</sup>**

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\*<sup>2</sup>**

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 GmbH<sup>4</sup> (member)V & B Fliesen GmbH<sup>4</sup> (member)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**Michael Vassiliadis, Hannover, Germany\*<sup>2</sup>**

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 GmbH<sup>4</sup> (member)RAG Aktiengesellschaft<sup>3</sup> (vice chairman)RAG Deutsche Steinkohle Aktiengesellschaft,<sup>4</sup> merged with RAG Aktiengesellschaft on April 23, 2019 (vice chairman)Henkel AG & Co. KGaA<sup>3</sup> (member)Vivawest GmbH<sup>4</sup> (member)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**The following members left the Supervisory Board on May 3, 2019****Michael Diekmann, Munich, Germany<sup>1</sup>**

Vice Chairman of the Supervisory Board of BASF SE

Chairman of the Supervisory Board of Allianz SE

**Member of the Supervisory Board since:** May 6, 2003**Memberships of statutory supervisory boards in Germany:**Allianz SE<sup>3</sup> (chairman)Fresenius Management SE<sup>4</sup> (member)Fresenius SE & Co. KGaA<sup>3</sup> (vice chairman)Siemens AG<sup>3</sup> (member)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**Prof. Dr. François Diederich, Dietikon, Switzerland<sup>1</sup>**

Professor at the Swiss Federal Institute of Technology, Zurich, Switzerland

**Member of the Supervisory Board since:** May 19, 1998**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

<sup>1</sup> Shareholder representative<sup>2</sup> Employee representative<sup>3</sup> Publicly listed<sup>4</sup> Not publicly listed

## Report of the Supervisory Board

*Dear Shareholders,*

Amid a difficult macroeconomic environment and a slowing global economy, the Supervisory Board addressed the following focus areas in 2019:

- The updated BASF corporate strategy and the target of CO<sub>2</sub>-neutral growth
- Portfolio measures, in particular the sale of the global pigments and construction chemicals businesses
- The expansion of the global manufacturing footprint with the establishment of a new Verbund site in southern China, a C3 value chain in India and battery materials production in Europe
- Efficiency gains and the restructuring of the company's organization
- The simplification of the compensation system for the Board of Executive Directors

The Supervisory Board addressed its task of creating the best possible foundation for BASF's successful and sustainable growth with a sense of responsibility.

### Monitoring and consultation in an ongoing dialog with the Board of Executive Directors

In 2019, 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. 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. In the 2019 business year, these included authorizing:

- The divestiture of the global pigments business to the Japanese company DIC
- The sale of the construction chemicals business bundled in the Construction Chemicals division to Lone Star Funds

### Supervisory Board meetings

The Supervisory Board held six meetings in the 2019 business year. With the exception of the constitutive meeting following the election of the Supervisory Board members at the Annual Shareholders' Meeting on May 3, 2019, which one member of the Supervisory Board was unable to attend, all members attended all Supervisory Board meetings in 2019. 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.

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](https://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, the Supervisory Board discussed the further development of the BASF Group's business activities through acquisitions, divestitures, transfers to joint ventures and investment projects. Discussions focused on:

- The sale of the global construction chemicals business bundled in the Construction Chemicals division
- The acquisition of Solvay's global polyamide business
- The merger and further development of the oil and gas businesses of BASF and LetterOne in a joint venture, Wintershall Dea
- The sale of the global pigments business
- The expansion of the battery materials business by establishing battery materials production including backward integration in Europe
- The progress of the investment project to establish a new Verbund site in southern China
- The investment in an acrylics value chain in India



At its meeting on February 21, 2019, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2018 business year as presented by the Board of Executive Directors. The Supervisory Board met prior to the Annual Shareholders' Meeting on May 3, 2019, primarily to prepare for the Annual Shareholders' Meeting.

The main agenda items at the meeting on July 23, 2019, were BASF's digitalization strategy and the carbon management program, including the challenges, perspectives and opportunities associated with these important future issues for BASF.

At the strategy meeting on October 21/22, 2019, the Board of Executive Directors and the Supervisory Board discussed the further development and implementation of BASF's corporate strategy at length. Key topics were:

- Opportunities and risks for BASF
- Competitiveness
- Customer focus
- Sustainability and innovation
- Digitalization
- Employees, organization and corporate culture
- Capital allocation, steering and portfolio development

Other consultation topics at the strategy meeting on October 21/22, 2019, were the status and development of the automotive strategy and the strategy for and opportunities and risks associated with battery materials.

At its meeting on December 19, 2019, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning including the investment budget for 2020, and as usual authorized the Board of Executive Directors to procure the necessary financing in 2020.

### **Composition and compensation of the Board of Executive Directors**

In several meetings over the 2019 business year, the Supervisory Board discussed and passed resolutions on the composition of the Board of Executive Directors and its compensation.


Based on the preparations of the Personnel Committee, it discussed and agreed on the 2019 targets for the Board of Executive Directors at its meeting on February 21, 2019. At its meeting on December 19, 2019, the Supervisory Board evaluated, based on the discussions and recommendations of the Personnel Committee, the Board of Executive Directors' performance in 2019 and the degree of target achievement.

The focus of the Supervisory Board meeting on July 23, 2019, was the composition of the Board of Executive Directors and longer-term succession planning. In this meeting, the Supervisory Board extended Wayne T. Smith's appointment to the Board of Executive

Directors, which ends on conclusion of the 2020 Annual Shareholders' Meeting, until the conclusion of the 2022 Annual Shareholders' Meeting, and extended the appointments of Saori Dubourg and Dr. Markus Kamieth to the conclusion of the 2025 Annual Shareholders' Meeting. Sanjeev Gandhi stepped down from the Board of Executive Directors early at his own request as of the end of December 31, 2019. In its meeting on October 21/22, 2019, the Supervisory Board addressed at length Sanjeev Gandhi's offer to resign his seat on the Board of Executive Directors early and the modalities of his departure and termination agreement, and agreed to his early retirement without severance pay. As part of the termination agreement, the Supervisory Board agreed with Sanjeev Gandhi on a post-contractual non-compete obligation with a term of two years and non-compete compensation. At the same time, the Supervisory Board reduced the number of members of the Board of Executive Directors from seven to six. Taking into account the company's new organization as of January 2020, the proposed changes to the distribution of responsibilities within the Board of Executive Directors were agreed to.

 For more information on the division of responsibilities within the Board of Executive Directors, see the Corporate Governance Report from page 63 onward

In 2019, the Supervisory Board addressed at length the structure of the Board of Executive Directors' compensation going forward, based on the extensive preparatory work of the Personnel Committee. Discussions focused on the restructuring of both the short-term and the long-term variable compensation of the Board of Executive Directors and Board members' pension benefits. The aim of the new system is to simplify the compensation of the Board of Executive Directors and further strengthen the focus on long-term business success. All of the requirements arising from the German Act Implementing the Shareholder Rights Directive and the new version of the German Corporate Governance Code are met. At its meeting on December 19, 2019, the Supervisory Board resolved the new compensation system for the members of the Board of Executive Directors and amended the provisions on compensation in the Board members' employment contracts accordingly. All members of the Board of Executive Directors agreed to the change to their employment contracts effective January 1, 2020. The Supervisory Board also resolved to submit the new compensation system to the Annual Shareholders' Meeting on April 30, 2020, for approval, and to have the compensation system for the Supervisory Board confirmed in unchanged form.

 For more information on the compensation of the Board of Executive Directors, see the Compensation Report on pages 49 to 62 and the notice convening the Annual Shareholders' Meeting on April 30, 2020, which will be published on March 19, 2020

### **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 chairpersons 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 40 to 41

The **Personnel Committee** met four times during the reporting period. All committee members attended all meetings. At its meeting on February 21, 2019, the Personnel Committee discussed the targets for the Board of Executive Directors for the 2019 business year and the 2018 Compensation Report. A key topic at the meetings on July 23, October 21 and December 19, 2019, was the restructuring of the compensation system for the Board of Executive Directors. The counsel and recommendations of the Committee formed the basis for the resolution by the Supervisory Board on the compensation of the Board of Executive Directors and the amendments to the employment contracts. At its meeting on July 23, 2019, the Personnel Committee addressed in particular the development of leadership at the top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors. In the meeting on December 19, 2019, it evaluated the performance of the Board of Executive Directors in the 2019 business year on the basis of the agreed targets.

The **Audit Committee** met five times during the reporting period. 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.

At the meeting on February 25, 2020, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2019 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the non-financial statements of BASF SE and the BASF Group. In preparation for this audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Non-financial 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 22, 2019, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting – with the audit for the 2019 reporting year and auditing fees were agreed upon. The focus areas for 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 18, 2019, 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 activities included advising the Board of Executive Directors on accounting issues and the internal control system, and conducting follow-up assessments of acquisition and investment projects. The Audit Committee focused on the internal auditing system at the meeting on July 22, 2019, and compliance in the BASF Group on December 18, 2019. 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.

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 once in 2019. All but one committee member attended the meeting. Items discussed at the meeting were the existing competence profile and diversity concept for the Supervisory Board, potential candidates for election to the Supervisory Board in general and in the case of an unforeseen departure, as well as the assessment of the independence of the shareholder representatives on the Supervisory Board. A particular focus was the review and confirmation of the proposal to elect Dr. Kurt Bock in the Annual Shareholders' Meeting on April 30, 2020, to replace the current Chairman of the Supervisory Board Dr. Jürgen Hambrecht, who had announced on his election in 2019 his intention to leave the Supervisory Board after one year. Following this further review, the Nomination Committee continues to view Dr. Kurt Bock as the most suitable candidate to succeed Dr. Jürgen Hambrecht.

The **Strategy Committee** met once in 2019. The Committee was established to consult on strategic options for the further development of the BASF Group. All committee members attended the meeting. In the meeting, the Committee discussed the status of negotiations on the divestiture of the construction chemicals business and were informed of all material acquisition and divestiture projects.

### Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2019, 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. An important topic of discussion here was the widely revised and restructured German Corporate Governance Code resolved by the German government in December 2019, and the translation of the second E.U. Shareholder Rights Directive into German law. In

addition, the competence profiles and diversity concepts adopted in 2017 for the Supervisory Board and the Board of Executive Directors were reviewed and confirmed.

For more information on the competence profiles, diversity concepts and composition goals, see the Corporate Governance Report on page 39 and from page 42 onward

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 2019. In view of the 2020 Annual Shareholders' Meeting, the main topics were the changes to the compensation system for the Board of Executive Directors, as well as the successor to Dr. Jürgen Hambrecht, who will retire as Chairman of the Supervisory Board.

At its meeting of December 19, 2019, 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 February 7, 2017, without exception. The Supervisory Board also resolved that, following its publication, the recommendations of the revised German Corporate Governance Code (2020 Code) are also to be complied with in the future. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

The full Declaration of Conformity is rendered on page 48 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. According to the Supervisory Board's assessment, all twelve members of the Supervisory Board are considered to be independent. The criteria used for this evaluation can be found in the Corporate Governance Report on page 42. 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.

Contrary to previous practice, going forward, the Supervisory Board considers membership on the Supervisory Board for more than 12 years as a factor that precludes independence. Franz Fehrenbach reached this membership duration in January 2020, meaning that the Supervisory Board no longer considers him to be independent

from this date onward. Beyond this limitation, however, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. As a consequence of this change in assessed independence, the Supervisory Board resolved that Anke Schäferkordt is to replace Franz Fehrenbach on the Audit Committee 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. This was again conducted in 2019, with the Chairman of the Supervisory Board holding individual dialogs with each Supervisory Board member using a structured questionnaire. Topics centered in particular on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; the quality of the information supplied by the Supervisory Board; the tasks, composition and work of the committees, and cooperation between shareholder and employee representatives. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented and thoroughly discussed at the Supervisory Board meeting on December 19, 2019. 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 2019 based on a written survey of the Committee members, which was conducted by the chairman of the Audit Committee using a detailed questionnaire. Material topic areas were the organization and content of the meetings, the 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 at its meeting on December 18, 2019. It did not identify any need for change.


### Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2019 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 110 onward

Beyond the statutory audit of the Financial Statements, KPMG also conducted, on behalf of the Supervisory Board, a substantive audit with limited assurance of the Nonfinancial Statements (NFSs) for BASF SE and the BASF Group, which are integral parts of the respective management's reports. On the basis of its audit, KPMG did not raise any objections to the nonfinancial reporting and the satisfaction of the relevant statutory requirements.

 The assurance report issued by KPMG on the substantive audit of the NFS can be found at [basf.com/nfs-audit-2019/basf-se](https://basf.com/nfs-audit-2019/basf-se)

The auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 25, 2020, as well as the accounts meeting of the Supervisory Board on February 26, 2020, 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 25, 2020, 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 chairman gave a detailed account of the preliminary review at the Supervisory Board meeting on February 26, 2020. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2019, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2019. 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 26, 2020, 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 2019 Financial Statements final. The Supervisory Board concurs 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

The Supervisory Board's election term ended on conclusion of the Annual Shareholders' Meeting on May 3, 2019. The long-serving shareholder representatives Prof. Dr. François Diederich and Michael Diekmann did not stand for re-election. As shareholder representatives, the Annual Shareholders' Meeting elected Prof. Dr. Thomas Carell and Dr. Alexander C. Karp, who were nominated for election

for the first time, and the incumbent Supervisory Board members Dame Alison Carnwath DBE, Franz Fehrenbach, Dr. Jürgen Hambrecht and Anke Schäferkordt. The six employee representatives were already elected without any changes to the current composition by the BASF Works Council Europe on November 21, 2018, in accordance with the Employee Participation Agreement. We would like to thank the now retired members of the Supervisory Board, Prof. Dr. François Diederich and Michael Diekmann, for many years of constructive and trust-based cooperation, and their considerable contributions to the success and further development of the company.

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 42

### Thanks

The Supervisory Board wishes to thank all employees of the BASF Group worldwide and the management for their personal contribution in the 2019 business year.

Ludwigshafen, February 26, 2020

The Supervisory Board



Jürgen Hambrecht  
Chairman of the Supervisory Board

# Financial Statements of BASF SE

## Statement of Income

### Statement of income

Million €

	Explanations in Note	2019	2018
<b>Sales revenue</b>	(2)	<b>22,185</b>	<b>23,587</b>
Cost of sales		17,554	19,020
<b>Gross profit on sales</b>		<b>4,631</b>	<b>4,567</b>
Selling expenses		2,040	2,098
General administrative expenses		485	502
Research expenses		1,292	1,349
Other operating income	(3)	307	988
Other operating expenses	(4)	1,168	1,027
<b>Income from operations</b>		<b>(47)</b>	<b>579</b>
Income from shareholdings		4,135	3,525
Interest result		(116)	(1,016)
Other financial result		40	105
<b>Financial result</b>	(5)	<b>4,059</b>	<b>2,614</b>
<b>Income before income taxes</b>		<b>4,012</b>	<b>3,193</b>
Income taxes	(6)	113	211
<b>Net income</b>		<b>3,899</b>	<b>2,982</b>

## Balance Sheet

### Assets

Million €

	Explanations in Note	December 31, 2019	December 31, 2018
Intangible assets	(8)	1,774	1,893
Property, plant and equipment	(9)	4,265	4,015
Financial assets	(10)	21,183	19,004
<b>Fixed assets</b>		<b>27,222</b>	<b>24,912</b>
<b>Inventories</b>	<b>(11)</b>	<b>2,588</b>	<b>2,598</b>
Accounts receivable, trade		1,208	1,562
Receivables from affiliated companies		21,348	18,654
Miscellaneous receivables and other assets		451	316
<b>Receivables and other assets</b>	<b>(12)</b>	<b>23,007</b>	<b>20,532</b>
Marketable securities		400	300
Cash at bank and on hand		970	1,018
<b>Liquid funds</b>	<b>(13)</b>	<b>1,370</b>	<b>1,318</b>
<b>Current assets</b>		<b>26,965</b>	<b>24,448</b>
<b>Prepaid expenses</b>	<b>(14)</b>	<b>206</b>	<b>176</b>
<b>Deferred tax assets</b>	<b>(6)</b>	<b>613</b>	<b>595</b>
<b>Excess of plan assets over obligations</b>	<b>(17)</b>	<b>206</b>	<b>–</b>
<b>Total assets</b>		<b>55,212</b>	<b>50,131</b>

### Equity and liabilities

Million €

	Explanations in Note	December 31, 2019	December 31, 2018
Subscribed capital	(15)	1,176	1,176
Capital surplus		3,139	3,139
Retained earnings	(16)	10,084	10,041
Retained profits	(16)	3,899	2,982
<b>Equity</b>		<b>18,298</b>	<b>17,338</b>
<b>Special reserves</b>		<b>61</b>	<b>63</b>
Provisions for pensions and similar obligations	(17)	56	204
Provisions for taxes		346	410
Other provisions	(18)	1,473	1,438
<b>Provisions</b>		<b>1,875</b>	<b>2,052</b>
Financial indebtedness		14,732	17,474
Accounts payable, trade		955	866
Liabilities to affiliated companies		18,283	11,601
Miscellaneous liabilities		713	537
<b>Liabilities</b>	<b>(19)</b>	<b>34,683</b>	<b>30,478</b>
<b>Prepaid expenses</b>		<b>295</b>	<b>200</b>
<b>Total equity and liabilities</b>		<b>55,212</b>	<b>50,131</b>

## Notes

**Corporate legal data:** The company BASF SE, headquartered in Ludwigshafen am Rhein, Germany, is registered at the Ludwigshafen district trade register (*Amtsgericht*) under the number HRB 6000.

**Accounting principles:** The Financial Statements of BASF SE are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The statement of income is prepared using the cost-of-sales method.

### 1 – Accounting and valuation methods

**Revenue recognition:** Revenues from goods or services are recognized upon the transfer of benefits and risks to the buyer or when the services are rendered. Allowances are made for rebates and other trade discounts. Provisions are recognized to cover probable risks from the return of products, future warranty obligations and other claims, taking into account the individual circumstances.

**Intangible assets:** These are valued at cost less straight-line amortization. In 2019, the weighted average amortization period was 11 years and was based on the following useful lives:

	2019	2018
Goodwill	10 years	10 years
Software	4 years	4 years
Patents, licenses, know-how, other rights	14 years	14 years

The useful lives of individual goodwill items are determined by the expected economic use of the acquired businesses or are based on expert opinions of the useful lives of patents, licenses, know-how and other rights purchased as part of the acquisition.

Write-downs are recognized if impairment is expected to be permanent. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the amortized cost. For goodwill, the lower carrying amount is retained.

BASF SE does not make use of the optional right to capitalize internally generated intangible assets forming part of fixed assets.

**Property, plant and equipment:** These are measured at acquisition or production cost less depreciation over their estimated useful lives. Additions that cost more than €250 but not more than €800 are depreciated immediately in the year of purchase. Items that cost less than €250 are recognized directly as expenses. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing costs, depreciation of fixed assets provided this is necessitated by production, and a share of the general and administrative costs of the divisions associated with the construction of the plants. Financing costs, costs for

social services, costs for voluntary social benefits and pension costs are not capitalized.

Both movable and immovable fixed assets are depreciated using the straight-line method. Declining-balance depreciation of additions from previous years is continued. For declining-balance depreciation, a systematic transition to straight-line depreciation takes place if this results in higher depreciation amounts.

The weighted average depreciation periods were as follows:

	2019	2018
Buildings and structural installations	24 years	25 years
Machinery and technical equipment	10 years	10 years
Factory and office equipment and other facilities	10 years	9 years

Write-downs to the lower fair value are recognized if impairment is expected to be permanent. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the depreciated cost.

**Financial assets:** In accordance with the principle of individual valuation, shareholdings and loans are carried at cost. Interest-bearing loans are recognized at cost; loans bearing no interest or below market interest rates are recognized at present value. In the case of permanent impairment, existing risks are recognized through an impairment loss based on the estimated fair value of the loan and shareholding. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the acquisition cost.

Financial activities are shown in the statement of income under income from shareholdings, interest result and other financial result.

**Inventories:** Inventories are carried at cost. They are recognized at quoted, market or fair values if these are lower than cost. For raw materials and factory supplies, fair values constitute the replacement costs. Merchandise is recognized at the expected sales proceeds less costs to be incurred prior to sale or lower replacement costs. Work in process and finished goods are recognized at the expected sales proceeds less costs to be incurred prior to sale or lower reproduction cost. The acquisition or production costs of raw materials as well as work in process, finished goods and merchandise are



determined by the last-in, first-out (LIFO) method. Factory supplies are carried predominantly at average cost. To cover storage risks, valuations are adjusted downward based on coverage and turnover analyses.

In addition to direct costs, production costs include an appropriate allocation of overhead production costs – including the general administrative expenses of each production unit – using normal capacity utilization rates for the production plants. Furthermore, depreciation of fixed assets is reported in cost of sales provided this is necessitated by production. Financing costs, social services, voluntary social benefits and pensions are not included in production costs.

Construction in progress pertains especially to chemical plants under construction for BASF Group companies. Profits are recognized upon the final invoicing of a project or the invoicing of part of a project. Expected losses are recognized by write-downs to the lower fair values.

Advance payments on inventories are measured at cost.

**Receivables and other assets:** These are generally carried at their nominal value. Loan receivables generating no or low interest are discounted to their present values. For risks of collectability, country-specific risks and general credit risks, appropriate valuation allowances and write-downs are carried out to take into account lower fair values. Valuation allowances on trade accounts receivable are recognized using customer-specific discount rates calculated by BASF, which are linked to a percentage rate for probability of default and country-specific risk.

**Liquid funds:** This item includes marketable securities, cash at banks and cash on hand. Marketable securities are measured at cost. Inventories are recognized at quoted, market or fair values if these are lower than cost. Cash on hand and bank balances are measured at nominal costs.

**Deferred taxes:** These are recorded for temporary differences between the valuation of assets and liabilities in the Financial Statements and the corresponding carrying values for tax purposes. Deferred tax assets are recognized if the net temporary difference is an asset balance. BASF SE does not recognize deferred taxes from tax group companies; these are accounted for within the tax group companies.

#### **Offsetting of assets as well as income and expenses:**

Assets that cannot be accessed by any other creditors and that only serve to meet debts allocated to these assets arising from obligations related to pensions and working-time accounts are measured at fair value and offset with these debts.

The fair value of the plan assets generally corresponds to the market price. If there is no active market, the fair value is calculated using generally recognized measurement methods. The measurement methods should determine a fair value that reasonably approximates a market price that would have prevailed between independent business partners under normal business conditions. Should a reliable determination of fair value not be possible using recognized measurement methods, amortized cost is to be applied following the strict lower of cost or market principle. In the case of plan assets of working-time accounts, amortized cost corresponds to the budgeted actuarial reserves of the insurance contract plus irrevocably distributed profit shares.

If the obligation is found to exceed the plan assets, the remaining difference is reported under provisions. If the plan assets exceed the corresponding obligation, the difference is reported as an excess of plan assets over obligations.

For pensions and working-time accounts, income and expenses from plan assets are offset with the income and expenses of the corresponding obligation. These balances are reported under the interest result.

**Special reserves:** The special reserves were maintained pursuant to section 67(3) sentence 1 of the Introductory Law to the German Commercial Code (EGHGB), as these were established before the year in which the conversion to the provisions of the Act to Modernize Accounting Law (BilMoG) took place. This referred primarily to transmissions of revealed inner reserves in accordance with section 6b of the German Income Tax Act (EStG). Since January 1, 2010, no new special reserves have been established.

**Provisions:** Provisions for pensions are determined on the basis of actuarial assumptions made according to the internationally accepted projected unit credit method. The obligations are valued using assumptions regarding future pay and pension increases. The valuation is based on the 2018 G mortality tables by Prof. Dr. Klaus Heubeck, modified by the mortality and invalidity expectations for the BASF population. Age-dependent and gender-specific fluctuation probabilities are also used. In accordance with the German law on implementing the guideline for residential real estate mortgage loans and on amended commercial regulations, the discount rate is determined as the average market interest rate of the past 10 years as published by Deutsche Bundesbank, with an assumed residual period of 15 years. The obligations as of December 31, 2019, were valued using a discount rate of 2.71% (as of December 31, 2018: 3.21%). Indirect pension obligations are not recognized as liabilities, pursuant to the optional right under section 28(1) sentence 2 EGHGB.

Tax provisions are determined for German trade income tax and German corporate income tax based on the expected trade earnings and the expected taxable corporate income.

Other provisions are recognized for the expected amounts of contingent liabilities and probable losses from pending transactions, as well as to cover omitted maintenance procedures as of the end of the year, which will be incurred within the first three months of the following year. The amounts provided are based on reasonable commercial judgment of the amount necessary to meet obligations, while taking into consideration expected future price and cost increases. Provisions with a maturity of more than one year are discounted in accordance with their maturity with the average market interest rate of the past seven business years, as published by Deutsche Bundesbank. Provisions for interest on income taxes have been presented under other provisions since the 2018 reporting year.

Provisions are established for environmental protection measures or risks if it is likely that the measures are necessary to comply with legal or regulatory obligations, provided these measures do not lead to costs that must be capitalized.

Provisions for recultivation obligations associated with the operation of landfill sites are built up in installments over the expected service lives.

Provisions for long-service bonuses are calculated based on actuarial principles corresponding to the projected unit credit method taking into account the rate of compensation increase and the adequate periodical interest rate pursuant to section 253(2) HGB.

Provisions for share price-based variable compensation (LTI program) are measured at the fair values of existing options as of the balance sheet date. These are based on the arbitrage-free valuation model according to Black-Scholes. The amounts are accrued proportionally as provisions over the respective vesting period.

**Liabilities:** Liabilities are recognized in the amount required for settlement.

**Translation of foreign-currency items:** The cost of assets acquired in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rate on the date of the transaction.

Current foreign-currency receivables and liabilities are valued at the average spot currency exchange rate on the balance sheet date. Noncurrent foreign-currency receivables are recorded at the rate prevailing on the acquisition date or at the rate on the balance sheet date if lower. Noncurrent foreign-currency liabilities are recorded at the rate prevailing on the acquisition date or at the rate on the balance sheet date if higher. Foreign-currency receivables or liabilities that are hedged are carried at hedge rates.

**Derivative financial instruments:** Derivative financial instruments are treated as pending transactions and are generally not recorded as assets or liabilities. The associated underlying transactions and derivatives are combined into valuation units. Profits from hedging transactions that cannot be to a particular underlying transaction are only realized upon maturity. Unrealized losses from derivative financial instruments are recognized through profit or loss and included in provisions, provided they are not combined into valuation units and the unrealized losses are not offset by changes in value of the underlying transactions.

The use of derivative financial instruments to hedge against foreign currency, interest rate, share price and other price risks is described in detail in Note 23 – Derivative instruments.

**Use of estimates and assumptions in the preparation of the Financial Statements:** The carrying amounts of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Financial Statements depend on the use of estimates and assumptions. They are based on the circumstances and estimates on the balance sheet date and affect the reported amounts of income and expense during the reporting periods. In the preparation of these Financial Statements, such estimates are used in the determination of the useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying amount of investments, and other similar evaluations of assets and obligations. Although uncertainty is properly incorporated into the valuation factors, actual results can differ from these estimates.

**Customer facilities:** The energy facilities operated by BASF SE to produce electricity and gas are customer facilities for internal supply in accordance with section 3 no. 24b of the German Energy

Act (EnWG). BASF SE is therefore not subject to the regulations imposed upon grid operators by the EnWG.

## 2 – Sales revenue

### Sales by segment

Million €	2019	2018
Chemicals	5,470	6,560
Materials	3,512	3,862
Industrial Solutions	3,901	4,323
Surface Technologies	509	537
Nutrition & Care	4,405	4,339
Agricultural Solutions	3,195	2,861
Other	1,193	1,105
	<b>22,185</b>	<b>23,587</b>

### Sales by region

Million €	2019	2018
Europe	15,963	17,500
of which Germany	5,385	5,992
North America	1,706	1,747
Asia Pacific	2,803	2,767
South America, Africa, Middle East	1,713	1,573
	<b>22,185</b>	<b>23,587</b>

The prior-year figures have been restated to reflect the new segment structure.

## 3 – Other operating income

Other operating income declined by €681 million to €307 million. Out-of-period income totaled €123 million (previous year: €394 million). Income of €58 million (previous year: €452 million) was recorded in the reporting year from insurance refunds, mainly for damages to a production plant in 2017. In addition, income of €54 million (previous year: €204 million) was recorded from the release of provisions, whereby income from the release of provisions for share price-based variable compensation (LTI program) declined from €144 million in the previous year to €1 million. Gains of €18 million from foreign-currency transactions (previous year: €194 million) resulted mainly from hedging transactions for Group companies and future sales. Furthermore, income from the reversal of valuation

allowances on trade accounts receivable amounted to €1 million (previous year: €75 million). New discount rates were applied for the first time in the previous year. Income of €46 million from a contractually agreed compensation payment was recognized in the reporting year. Moreover, transactions such as the merger of the paper and water chemicals business with Solenis led to higher income from portfolio measures compared with the previous year.

## 4 – Other operating expenses

Other operating expenses rose by €141 million to €1,168 million. Expenses of around €300 million were recognized in the reporting year in connection with the implementation of the updated corporate strategy, mainly for restructuring measures. In addition, contributions to provisions for share price-based variable compensation (LTI program) rose by €15 million compared with the previous year. By contrast, expenses for portfolio measures were below the prior-year level. Losses of €70 million from foreign-currency transactions

(previous year: €200 million) resulted mainly from hedging transactions for Group companies and future sales in U.S. dollars. Out-of-period expenses amounted to €2 million (previous year: €5 million).

## 5 – Financial result

### Financial result

Million €	2019	2018
Income from shareholdings and similar income	3,388	1,101
of which from affiliated companies	3,332	1,038
Income from profit transfers	1,003	2,283
Income from tax allocation to affiliated companies	140	243
Expenses from loss transfer agreements	347	102
Write-downs of, and losses from, the disposal of shareholdings	49	–
<b>Income from shareholdings</b>	<b>4,135</b>	<b>3,525</b>
Income from other securities and the loan of financial assets	4	4
of which from affiliated companies	2	1
Interest and similar income	344	142
of which from affiliated companies	36	23
Interest and similar expenses	464	1,162
of which to affiliated companies	31	62
<b>Interest result</b>	<b>(116)</b>	<b>(1,016)</b>
Write-downs of, and losses from, the disposal of loans and marketable securities	55	22
Miscellaneous other financial result	95	127
<b>Other financial result</b>	<b>40</b>	<b>105</b>
<b>Financial result</b>	<b>4,059</b>	<b>2,614</b>

The financial result rose by €1,445 million to €4,059 million. The increase in income from shareholdings was mainly due to higher dividends from affiliated companies and the €984 million gain on the disposal of a shareholding. Lower profit transfers as a result of the decline in dividend payments contained in this amount and portfolio measures had an offsetting effect.

The interest result contained the balance of income and expenses from plan assets for pensions and working-time accounts as offset against the income and expenses of the corresponding obligations. Interest expenses from pension-related obligations amounted to €512 million (previous year: €477 million) and income from pension plan assets amounted to €682 million (previous year: expenses of €231 million). This led to a considerable increase in the interest result.

Expenses from the unwinding of the discount on other provisions amounted to €9 million (previous year: €12 million) and were included in interest and similar expenses.

The miscellaneous other financial result declined by €32 million to €95 million. The decrease was mainly due to the change in the balance of interest income and expenses for income taxes. Gains on commercial paper hedging had an offsetting effect.

## 6 – Income taxes

### Tax expense

Million €	2019	2018
Current income tax expenses	131	274
Deferred tax assets and liabilities	(18)	(63)
<b>Income taxes</b>	<b>113</b>	<b>211</b>
Other taxes	38	40
<b>Tax expense</b>	<b>151</b>	<b>251</b>

Current income tax expenses decreased by €143 million to €131 million in the reporting year as a result of lower income at BASF SE and its tax group companies. The addition of tax provisions for previous years had an offsetting effect. Current tax expenses include out-of-period expenses of €62 million.

Deferred tax assets resulting from the temporary differences between valuations in the Financial Statements and valuations for tax purposes related to the following items:

Million €	2019	2018
Fixed assets	92	82
Inventories, accounts receivable and other assets	(25)	39
Pension provisions	496	442
Other provisions and miscellaneous	50	32
<b>Deferred tax assets</b>	<b>613</b>	<b>595</b>

A tax rate of 30% was applied in the calculation of deferred taxes for 2019 and 2018. Deferred taxes for the difference in assets, which affects assets under contractual trust arrangements, are calculated using only the corporate tax rate including the solidarity surcharge

(15.825%), since these assets are held by an independent partnership with its own trade tax obligation.

## 7 – Other information

### Cost of materials

Million €	2019	2018
Cost of raw materials, plant supplies and purchased merchandise	13,076	14,833
Cost of purchased services	3,377	3,523
	<b>16,453</b>	<b>18,356</b>

### Personnel expenses

Million €	2019	2018
Wages and salaries	3,099	2,768
Social security contributions and expenses for pensions and assistance	646	658
of which for pension benefits	199	223
	<b>3,745</b>	<b>3,426</b>

The increase in wages and salaries is primarily attributable to expenses in connection with restructuring measures.

### Average number of employees

	2019	2018
Nonexempt employees	24,273	24,403
Exempt employees	8,888	8,591
Apprentices	1,814	1,773
Temporary staff	261	274
	<b>35,236</b>	<b>35,041</b>

### Compensation for the Board of Executive Directors and Supervisory Board

Million €

	2019	2018
Performance-related and fixed cash payments to the Board of Executive Directors	13.3	14.3
Market value of options granted to the Board of Executive Directors in the fiscal year as of grant date	3.2	4.5
<b>Total compensation for the Board of Executive Directors</b>	<b>16.5</b>	<b>18.8</b>
Service cost for members of the Board of Executive Directors	2.6	4.2
Compensation for the Supervisory Board	3.3	3.3
Total compensation of former members of the Board of Executive Directors and their surviving dependents <sup>1, 2</sup>	10.9	11.8
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	156.9	128.6
Contingent liabilities in favor of members of the Board of Executive Directors and the Supervisory Board	–	–

<sup>1</sup> Total compensation for former members of the Board of Executive Directors in 2018 include compensation excluding pension benefits for Dr. Kurt Bock of around €1.1 million.

<sup>2</sup> Adjusted for the accounting valuation of option rights, this would have amounted to €11.5 million in 2019 (2018: release of provisions, minus €4.4 million)

The performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. Under certain conditions, ROCE is adjusted for special items resulting from acquisitions and divestitures. The conditions for adjusting ROCE were not met in 2019.

The members of the Board of Executive Directors were granted 185,692 options under the long-term incentive (LTI) program in 2019.

The fair value of the option rights of active and former members of the Board resulted in a total expense of €3.0 million in 2019. In 2018, income of €28.5 million arose from the option rights.

For more information on the compensation of members of the Board of Executive Directors, see the Compensation Report from page 49 onward

For more information on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards, see page 63 onward

**Declaration of Conformity:** The Declaration of Conformity with the German Corporate Governance Code (see page 48) in accordance with section 161 AktG was signed by the Board of Executive Directors and the Supervisory Board of BASF SE in December 2019.



## 8 – Intangible assets

### Development 2019

Million €

	Purchased industrial property rights and similar rights and values <sup>1</sup>	Goodwill	Advance payments	Total
<b>Cost</b>				
As of January 1, 2019	925	1,911	26	2,862
Additions	120	3	45	168
Disposals	91	18	.	109
Transfers	27	(8)	(19)	–
As of December 31, 2019	981	1,888	52	2,921
<b>Depreciation and write-downs</b>				
As of January 1, 2019	303	666	–	969
Additions	112 <sup>2</sup>	156	–	268
Disposals	90	.	–	90
As of December 31, 2019	325	822	–	1,147
<b>Net carrying amount as of December 31, 2019</b>	<b>656</b>	<b>1,066</b>	<b>52</b>	<b>1,774</b>
Net carrying amount as of December 31, 2018	622	1,245	26	1,893

<sup>1</sup> Including licenses to such rights and values

<sup>2</sup> Of which €6 million in impairments

## 9 – Property, plant and equipment

### Development 2019

Million €

	Land, land rights and buildings <sup>1</sup>	Machinery and technical equipment	Other facilities, factory and office equipment	Advance payments and construction in progress	Total
<b>Cost</b>					
As of January 1, 2019	3,137	12,790	1,772	1,182	18,881
Additions	39	262	71	435	807
Disposals	10	119	61	3	193
Transfers	30	706	45	(781)	–
As of December 31, 2019	3,196	13,639	1,827	833	19,495
<b>Depreciation and write-downs</b>					
As of January 1, 2019	2,397	11,008	1,461	–	14,866
Additions	56	402	91	–	549
Disposals	10	117	58	–	185
Transfers	.	.	.	–	–
Reversals of impairments	–	.	–	–	.
As of December 31, 2019	2,443	11,293	1,494	–	15,230
<b>Net carrying amount as of December 31, 2019</b>	<b>753</b>	<b>2,346</b>	<b>333</b>	<b>833</b>	<b>4,265</b>
Net carrying amount as of December 31, 2018	740	1,782	311	1,182	4,015

<sup>1</sup> Including structures on third-party property

## 10 – Financial assets

### Development 2019

#### Shareholdings

Million €

	Shares in affiliated companies	Shares in other companies	Total shareholdings
<b>Cost</b>			
As of January 1, 2019	18,757	231	18,988
Additions	2,434	7	2,441
Disposals	24	147	171
Transfers	(145)	145	–
As of December 31, 2019	21,022	236	21,258
<b>Depreciation and write-downs</b>			
As of January 1, 2019	241	8	249
Additions	49	–	49
Disposals	22	–	22
Transfers	–	–	–
Reversals of write-downs	–	–	–
As of December 31, 2019	268	8	276
<b>Net carrying amount as of December 31, 2019</b>	<b>20,754</b>	<b>228</b>	<b>20,982</b>
Net carrying amount as of December 31, 2018	18,516	223	18,739

### Development 2019

#### Loans and other financial assets

Million €

	Loans to affiliated companies	Loans to other shareholdings	Miscellaneous loans and other financial assets	Total loans and other financial assets	Total financial assets
<b>Cost</b>					
As of January 1, 2019	165	47	81	293	19,281
Additions	7	1	–	8	2,449
Disposals	19	3	1	23	194
Transfers	–	–	–	–	–
As of December 31, 2019	153	45	80	278	21,536
<b>Depreciation and write-downs</b>					
As of January 1, 2019	18	1	9	28	277
Additions	54	–	–	54	103
Disposals	–	1	–	1	23
Transfers	–	–	–	–	–
Reversals of write-downs	1	–	3	4	4 <sup>1</sup>
As of December 31, 2019	71	–	6	77	353
<b>Net carrying amount as of December 31, 2019</b>	<b>82</b>	<b>45</b>	<b>74</b>	<b>201</b>	<b>21,183</b>
Net carrying amount as of December 31, 2018	147	46	72	265	19,004

<sup>1</sup> Of which €3 million from unwinding the discount

## 11 – Inventories

Million €

	2019	2018
Raw materials and factory supplies	584	568
Work in progress, finished goods and merchandise	1,963	1,970
Services in progress	37	60
Advance payments on inventories	4	.
	<b>2,588</b>	<b>2,598</b>

Work in progress, finished goods and merchandise are combined into one item due to production conditions in the chemical industry.

(previous year: €48 million), and €148 million for finished goods and merchandise (previous year: €183 million).

For inventories measured using the LIFO method, LIFO reserves (the difference between LIFO valuation and valuation at average cost or lower quoted or market prices) were €43 million for raw materials

## 12 – Receivables and other assets

Million €

	2019		2018	
		Of which remaining term over 1 year		Of which remaining term over 1 year
Accounts receivable, trade	1,208	.	1,562	.
Receivables from affiliated companies	21,348	1	18,654	2
of which from trade accounts receivable	2,341	–	2,227	–
Receivables from participating interests	25	–	22	–
Other assets	426	73	294	68
	<b>23,007</b>	<b>74</b>	<b>20,532</b>	<b>70</b>

Valuation allowances on trade accounts receivable are recognized using customer-specific discount rates calculated by BASF, which are linked to a percentage rate for probability of default and country-specific risk. Valuation allowances of €4 million were calculated on the basis of these customer-specific discount rates in the reporting year.

In 2019, accrued items totaled €41 million (previous year: €13 million).

Receivables from affiliated companies increased as a result of internal sales of shareholdings and internal refinancing transactions.

## 13 – Liquid funds

In the reporting year, marketable securities rose by €100 million to €400 million. Cash on hand and credit institution balances declined by €48 million to €970 million.

## 14 – Prepaid expenses

Million €

	2019	2018
Discounts	96	111
Other	110	65
	<b>206</b>	<b>176</b>

Discounts from the issuance of bonds (Note 19 – Liabilities: Financial indebtedness) are capitalized and amortized over the term of the

obligations. Other accruals and deferrals include prepayments related to ongoing business activities.

## 15 – Subscribed capital

### Subscribed capital

The subscribed capital of BASF SE is €1,175,652,728.32 and is divided into 918,478,694 registered shares with no par value.

### Announcements pursuant to section 33(1) of the German Securities Trading Act (WpHG)

As the parent company of the BlackRock group, BlackRock, Inc., Wilmington, Delaware, informed us on March 22, 2018, that its share of voting rights pursuant to section 33(1) WpHG amounted to 6.61% as of March 19, 2018. All voting rights of the BlackRock group are accorded to BlackRock, Inc. in accordance with section 34(1) sentence 1 no. 1 WpHG. There were no new announcements in 2019.

### Conditional capital

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new registered shares in BASF. The contingent capital increase serves to grant shares to the holders of convertible bonds or warrants attached to bonds with warrants issued by the company or a subsidiary up to May 11, 2022, in accordance with the applicable bond conditions on the

basis of the authorization of the Board of Executive Directors resolved by the Annual Shareholders' Meeting on May 12, 2017.

### Authorized capital

The Annual Shareholders' Meeting of May 3, 2019, authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new shares in an amount up to €470 million against cash or noncash contributions until May 2, 2024. The Board of Executive Directors can, following the approval of the Supervisory Board, decide on the exclusion of shareholders' subscription rights for these new shares in certain predefined cases covered by the enabling resolution. To date, this option has not been exercised and no new shares have been issued.

## 16 – Retained earnings and retained profits

Million €

<b>Other retained earnings</b>	<b>2019</b>
As of January 1, 2019	10,041
Appropriated retained earnings (as per resolution of Annual Shareholders' Meeting 2019)	43
<b>As of December 31, 2019</b>	<b>10,084</b>
<b>Retained profits</b>	
Net income	3,899
Profits carried forward	–
Transfer to / withdrawal from other retained earnings	–
<b>As of December 31, 2019</b>	<b>3,899</b>

### Disclosures on amounts subject to dividend payout restrictions

The difference between acquisition costs and asset plans measured at fair value from pensions obligations resulted – after subtracting deferred tax liabilities – in €643 million subject to dividend payout restrictions.

The excess of deferred tax assets over deferred tax liabilities plus deferred tax liabilities from the measurement of plan assets at fair value amounted to €706 million.

A valuation of pension obligations based on the average market interest rate of the last 10 years and a valuation based on the average market interest rate of the last seven years results in a difference of €579 million, subject to dividend payout restrictions.

The amounts subject to dividend payout restrictions were €1,928 million; while freely available reserves amounted to €10,185 million. There is therefore no dividend payout restriction for retained profits.

### Proposal for appropriation of profit

A dividend payout of €3.30 per qualifying share from the €3,899,089,714.88 in profit retained by BASF SE in the 2019 fiscal year will be proposed to the Annual Shareholders' Meeting on April 30, 2020. On the date the Financial Statements were finalized, the number of shares determined as eligible for dividend payout were 918,478,694. Upon acceptance of the payout proposal, total dividends will therefore be distributed in the amount of €3,030,979,690.20. The proposal will then be to put the remaining €868,110,024.68 in retained profits into retained earnings.

## 17 – Provisions for pensions and similar obligations

BASF SE employees are granted basic benefits by BASF Pensionskasse VVaG, a legally independent BASF pension fund that is financed from the return on its financial assets, from members' contributions and by the company. BASF SE will ensure the necessary contributions to adequately finance the benefits promised by BASF Pensionskasse VVaG. Occupational pension promises that exceed this are financed under a contractual trust arrangement by BASF Pensionstreuhand e.V.

BASF SE approved a 1.0% per year increase in pensions from BASF Pensionskasse VVaG.

The valuation of the pension obligations is based on the following assumptions:

In percent

	<b>2019</b>	<b>2018</b>
Projected pension increase	1.50	1.50
Projected increase in wages and salaries	2.75	2.75
Interest rate (section 253(2) sent. 2 HGB)	2.71	3.21

Amounts offset in the balance sheet as of December 31 of the respective year:

Million €

	2019	2018
Fair value of pension plan assets	6,003	5,350
Pension obligations with plan assets	5,797	5,502
<b>Net total 2019: excess of plan assets over obligations (2018: provision)</b>	<b>206</b>	<b>(152)</b>
Historical acquisition costs for pension plan assets	5,257	5,133

Income and expenses from plan assets are offset with expenses from unwinding the discount on corresponding obligations in the interest result. Amounts offset in the interest result are as follows:

Million €

	2019	2018
Income from pension plan assets	692	90
Expenses from pension plan assets	10	321
Expenses from unwinding the discount	512	477
<b>Net interest result</b>	<b>170</b>	<b>(708)</b>

As of December 31, 2019, pension obligations excluding plan assets amounted to €56 million.

## 18 – Other provisions

Million €

	2019		2018	
		Of which current		Of which current
Environmental protection and remediation costs	204	39	196	41
Employee obligations	877	732	805	695
Sales and purchase risks	50	50	48	48
Integration, closure and restructuring measures	1	1	1	1
Maintenance and repair	16	16	12	12
Other	325	143	376	192
	<b>1,473</b>	<b>981</b>	<b>1,438</b>	<b>989</b>

In the reporting year, provisions in the amount of €54 million were reversed in the income statement and reported under other operating income (previous year: €204 million).

The item other primarily consists of provisions for onerous contracts and outstanding invoices as well as interest on income taxes. Obligations of €793 million from working-time accounts were offset by assets in the form of claims against an insurance company in the

same amount. The interest result contains income of €30 million from working-time accounts, offset by expenses also amounting to €30 million.

## 19 – Liabilities

### Financial indebtedness

Million €	2019	2018
Commercial paper	872	2,555
1.375% EUR bond 2014/2019	–	750
Variable-rate EUR bond 2017/2019	–	1,250
Variable-rate EUR bond 2013/2020	300	300
1.875% EUR bond 2013/2021	1,000	1,000
2.5% USD bond 2017/2022	472	472
1.375% GBP bond 2018/2022	283	283
2% EUR bond 2012/2022	1,250	1,250
0.925% USD bond 2017/2023	782	782
0.875% GBP bond 2016/2023	291	291
2.5% EUR bond 2014/2024	500	500
1.75% GBP bond 2017/2025	353	353
0.875% EUR bond 2018/2025	750	750
3.675% NOK bond 2013/2025	189	189
0.875% EUR bond 2017/2027	1,000	1,000
2.67% NOK bond 2017/2029	177	177
0.875% EUR bond 2019/2029	250	–
1.5% EUR bond 2018/2030	500	500
1.5% EUR bond 2016/2031	200	200
0.875% EUR bond 2016/2031	500	500
2.37% HKD bond 2016/2031	153	153
1.45% EUR bond 2017/2032	300	300
3% EUR bond 2013/2033	500	500
2.875% EUR bond 2013/2033	200	200
4.0% AUD bond 2018/2033	101	101
1.625% EUR bond 2017/2037	750	750
3.25% EUR bond 2013/2043	200	200
1.025% JPY bond 2018/2048	77	77
3.89% U.S. private placement series A 2013/2025	184	184
4.09% U.S. private placement series B 2013/2028	515	515
4.43% U.S. private placement series C 2013/2034	221	221
<b>Bonds and other liabilities to the capital market</b>	<b>12,870</b>	<b>16,303</b>
Liabilities to credit institutions	1,862	1,171
	<b>14,732</b>	<b>17,474</b>

### Liabilities to affiliated companies

Million €	2019	2018
Accounts payable, trade	1,594	1,937
Miscellaneous liabilities	16,689	9,664
	<b>18,283</b>	<b>11,601</b>



**Other liabilities**

Million €	2019	2018
Advances received on orders	17	27
Liabilities to participating interests	58	25
Miscellaneous liabilities	638	485
of which from taxes	55	55
of which related to social security	3	4
	<b>713</b>	<b>537</b>

**Maturities of liabilities**

	2019			2018		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Financial indebtedness	1,319	5,428	7,985	4,657	4,472	8,345
Accounts payable, trade	940	14	1	866	–	–
Liabilities to affiliated companies	18,281	2	–	11,596	3	2
Advances received on orders	17	–	–	27	–	–
Liabilities to participating interests	58	–	–	25	–	–
Miscellaneous liabilities	557	80	1	399	10	76
	<b>21,172</b>	<b>5,524</b>	<b>7,987</b>	<b>17,570</b>	<b>4,485</b>	<b>8,423</b>

**20 – Shares in investment assets**

As of December 31, 2019, the following shares in excess of 10% were held in special assets within the meaning of section 1(10) of the German Capital Investment Code (KAGB) or in comparable foreign investment assets:

Million €	Fair value / carrying amount as of December 31, 2019	Dividend payment 2019	Returnable daily
Fixed income funds	2,835	81	yes
Equity funds	1,047	27	yes
Mixed funds	1,284	–	yes

The shares serve as plan assets for obligations from pensions.

## 21 – Contingent liabilities and other financial obligations

The following contingent and other liabilities are shown at nominal value.

### Contingent liabilities

Million €	2019	2018
Bills of exchange	6	6
of which to affiliated companies	–	–
Guarantees	2,742	2,722
of which to affiliated companies	2,742	2,722
Warranties	728	749
of which to affiliated companies	711	732
	<b>3,476</b>	<b>3,477</b>

Contingent liabilities mainly relate to guarantees for bonds issued by BASF Finance Europe N.V., based in Arnhem, Netherlands, for the purpose of corporate financing. Contingent liabilities are entered into only after careful consideration of risks and only in connection with the business activities of BASF SE or its affiliated companies. The risk of claims against contingent liabilities was assessed as low on the basis of the existing knowledge about the net assets, financial position and results of operations of the subsidiaries. Reasonably concrete risks at the time the balance sheet was prepared were recognized through corresponding provisions in the balance sheet.

Since the formation of the joint venture Wintershall Dea GmbH, BASF SE has continued to provide a guarantee to Abu Dhabi National Oil Corporation covering all obligations of Wintershall Dea Middle East GmbH related to the Ghasha concession in the United Arab Emirates. The guarantee itself does not specify a maximum amount. The risk of a claim being exercised against the guarantee was classified as low.

### Other financial obligations

Million €	2019	2018
<b>Other financial obligations</b>	<b>1,193</b>	<b>751</b>
of which relating to pension benefits	198	77
of which to affiliated companies	17	–

### Long-term purchase obligations

Million €	2019	2018
<b>Long-term purchase obligations</b>	<b>3,577</b>	<b>3,653</b>
of which to affiliated companies	–	–

Long-term purchase obligations especially pertain to raw materials. BASF SE purchases raw materials worldwide through long-term contracts and on spot markets.

### Binding acquisition obligations

On September 18, 2017, BASF signed an agreement with the

Solvay group on the acquisition of Solvay's global polyamide business, subject to the approval of the relevant antitrust authorities. The E.U. Commission granted conditional clearance for BASF to acquire the polyamide business on January 18, 2019. They required divesting parts of the original transaction scope to a third-party buyer. These include manufacturing assets of Solvay for engineering

plastics in Europe. Domo Chemicals was approved by the E.U. Commission as the buyer of the European polyamide business. The transaction closed on January 31, 2020.

## 22 – Related party transactions

Since the 2010 fiscal year, BASF SE has granted profit participation capital in the amount of €80 million to BASF Pensionskasse VwG. As of December 31, 2019, profit participation capital after discounting reported under loans amounted to €74 million.

## 23 – Derivative instruments

### Use of derivative instruments

BASF SE is exposed to foreign currency, interest rate, share price and commodity price risks in the course of its business. These risks are hedged through a centrally determined strategy employing derivative instruments. Hedging is only employed for underlying transactions from the operating business, cash investments and financing as well as for planned sales and purchases and for financing.

Where derivatives have a positive market value, BASF SE is exposed to credit risks in the event of nonperformance of the contractual partner. This credit risk for positive market values is minimized by trading contracts exclusively with creditworthy banks and partners within predefined credit limits and by the use of collateral.

To ensure efficient risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes are conducted according to internal guidelines, and are subject to strict control mechanisms.

The risks arising from the underlying transactions and the derivative transactions concluded to hedge them are monitored constantly. The same is true of the derivative instruments that are used to replace transactions in primary financial instruments. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

### Fair value and nominal value of derivative financial instruments

Million €

	Fair value		Nominal value	
	2019	2018	2019	2018
Foreign currency forward contracts	.	(5)	9,219	12,595
Foreign currency option contracts	18	11	733	727
Interest rate swaps	(4)	(7)	300	300
Combined interest and cross-currency swaps	43	(113)	4,352	4,352
Stock options	–	–	1,613	1,613
Commodity derivatives	.	–	7	–
	<b>57</b>	<b>(114)</b>	<b>16,224</b>	<b>19,587</b>

The fair values correspond to the difference between the cost and redemption value, which is determined from market quotations or by the use of options pricing models such as the Black-Scholes model. They are based on the exchange rates published by the European Central Bank and the applicable market interest rates and volatilities based on the remaining term to maturity. In the case of unlisted contracts, fair value corresponds to the redemption value in the event of premature cancellation. The nominal values are the totals of

the purchases and sales of the particular derivatives on a gross basis.

Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar. Commodity derivatives are used to hedge purchase and sales market price risks.

Acquisition costs of €70 million for derivatives were capitalized in other assets. Provisions amounting to €21 million were recognized for expected losses from currency fluctuations. Losses of €74 million were recognized as liabilities under miscellaneous liabilities.

To hedge risks from cash flow and changes in fair value for certain underlying positions in and off the balance sheet, these are combined with hedging transactions as micro hedges, as they have similar significant risk parameters. Portfolio hedges are used to hedge planned sales in U.S. dollars. Accounting treatment follows

the net hedge presentation method. The retrospective and prospective effectiveness was determined using the critical terms match method; no material ineffectiveness was found.

#### Valuation units

Million €

Underlying transactions 2019	Hedging transactions 2019	Nominal value	Positive fair value	Negative fair value
<b>Balance sheet item</b>	<b>Type of hedging transaction</b>			
<b>Hedged assets</b>	<b>Derivatives to hedge assets</b>	<b>873</b>	<b>11</b>	<b>–</b>
Loans to affiliated companies	Foreign currency forward contracts	45	1	–
Loans to other shareholdings	Foreign currency forward contracts	18	.	–
Receivables from affiliated companies	Foreign currency forward contracts	810	10	–
<b>Hedged liabilities</b>	<b>Derivatives to hedge liabilities</b>	<b>5,137</b>	<b>186</b>	<b>(151)</b>
Liabilities to affiliated companies	Hedging transactions for liabilities to affiliated companies			
– In foreign currencies	– Foreign currency forward contracts	130	3	.
Financial indebtedness	Hedging transactions for financial indebtedness			
– Commercial paper	– Foreign currency forward contracts	694	–	(7)
– EUR bonds	– Interest rate swaps	300	–	(4)
– Foreign-currency bonds	– Combined interest and cross-currency swaps	3,798	165	(140)
– Foreign-currency loans	– Combined interest and cross-currency swaps	215	18	–
<b>Planned transactions</b>	<b>Type of hedging transaction</b>	<b>733</b>	<b>18</b>	<b>–</b>
Future sales and purchases	Foreign currency option contracts	733	18	–
<b>Derivatives</b>	<b>Type of hedging transaction</b>	<b>2,761</b>	<b>44</b>	<b>(16)</b>
Foreign currency forward contracts	Foreign currency forward contracts	1,786	23	(16)
Stock options	Stock options	806	4	–
Interest and cross-currency swaps	Interest and cross-currency swaps	169	17	–

The receivables and liabilities hedged with foreign currency forward contracts are due within one year. The term of the currency option contracts for hedging highly probable future sales in U.S. dollars is less than one year. Interest rate swaps maturing in 2020 were concluded to hedge variable-rate bonds. Financial indebtedness in foreign currencies was hedged using combined interest and cross-currency swaps. These have a maximum term of 29 years. The stock options mature in 2023.

Foreign currency forward contracts concluded with subsidiaries that are also inversely concluded with external contractual partners generally have a term of less than one year.

## 24 – Services provided by the external auditor

The services provided by KPMG AG Wirtschaftsprüfungsgesellschaft to BASF SE mainly include services for the annual audit, and to a lesser extent, confirmation services, tax consultation services and other services. These can be found in Note 33 to the Consolidated Financial Statements of the BASF Group.

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## 25 – Events after the reporting period

On January 31, 2020, BASF acquired Solvay's polyamide business. As a result of antitrust legal requirements, Domo Chemicals acquired parts of Solvay's polyamide business, including production plants and innovation competencies in the engineering plastics field in Europe. Following these adjustments to the scope of the transaction, the purchase price on a cash and debt-free basis and excluding other adjustments totaled approximately €1.3 billion. The acquisition includes eight production sites in Germany, France, China, India, South Korea, Brazil and Mexico, as well as research and develop-

ment and technical consultation centers in Asia and the Americas. BASF plans to integrate the acquired polyamide business from Solvay into the Performance Materials and Monomers divisions. BASF is financing the acquisition within the scope of its usual financing.

In particular, BASF SE acquired 50% and 51% shareholdings in two equity interests.

## 26 – BASF SE list of shares held 2019 pursuant to section 285 no. 11, 11a and 11b of the German Commercial Code

The earnings of companies acquired in 2019 are reported as of the date of acquisition. The list of shares held contains all of BASF SE's direct and indirect shareholdings as well as affiliated companies accounted for in the Consolidated Financial Statements. In the Separate Financial Statements of BASF SE, financial assets only include direct shareholdings. Information on the values of equity and earnings after taxes generally refer to IFRS values.

### I. Companies included in the Consolidated Financial Statements on a full or proportional basis, or accounted for using the equity method

#### Fully consolidated subsidiaries

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Germany</b>						
BASF Agricultural Solutions GmbH	Ludwigshafen (Rhein)	100.00	0.00	14.5	<sup>1</sup>	EUR
BASF Agro Trademarks GmbH	Ludwigshafen (Rhein)	100.00	0.00	5.7	<sup>1</sup>	EUR
BASF Akquisitions GmbH	Ludwigshafen (Rhein)	100.00	0.00	431.3	<sup>1</sup>	EUR
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00	1.3	0.3	EUR
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00	291.2	<sup>1</sup>	EUR
BASF Business Services GmbH	Ludwigshafen (Rhein)	100.00	0.00	(80.7) <sup>2</sup>	<sup>1</sup>	EUR
BASF Catalysts Germany GmbH	Hannover	100.00	0.00	300.2	<sup>1</sup>	EUR
BASF Coatings GmbH	Münster	100.00	10.00	97.5	<sup>1</sup>	EUR
BASF Color Solutions Germany GmbH	Cologne	100.00	0.00	(5.4) <sup>2</sup>	<sup>1</sup>	EUR
BASF Colors & Effects GmbH	Ludwigshafen (Rhein)	100.00	0.00	63.4	<sup>1</sup>	EUR
BASF Construction Additives GmbH	Trostberg	100.00	0.00	(134.3)	<sup>1</sup>	EUR
BASF Construction Solutions GmbH	Trostberg	100.00	0.00	340.7	<sup>1</sup>	EUR
BASF Finance Malta GmbH	Monheim <sup>3</sup>	100.00	100.00	5,026.3	26.2	EUR
BASF Grenzach GmbH	Grenzach-Wyhlen	100.00	0.00	(12.6)	<sup>1</sup>	EUR
BASF Handels- und Exportgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00	3,302.3	<sup>1</sup>	EUR
BASF IP Licensing GmbH	Monheim	100.00	0.00	151.6	149.8	EUR
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhein)	100.00	0.00	0.0	<sup>1</sup>	EUR
BASF Lampertheim GmbH	Lampertheim	100.00	0.00	105.0	<sup>1</sup>	EUR
BASF Leuna GmbH	Leuna	100.00	0.00	12.4	<sup>1</sup>	EUR
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)	100.00	99.99	9.5	0.8	EUR
BASF New Business GmbH	Ludwigshafen (Rhein)	100.00	100.00	61.6	<sup>1</sup>	EUR
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	0.00	8.9	<sup>1</sup>	EUR
BASF Performance Polymers GmbH	Rudolstadt	100.00	0.00	42.0	<sup>1</sup>	EUR
BASF Personal Care and Nutrition GmbH	Monheim	100.00	0.00	99.8	<sup>1</sup>	EUR
BASF Pigment GmbH	Ludwigshafen (Rhein)	100.00	0.00	(9.5)	<sup>1</sup>	EUR
BASF Plant Science Company GmbH	Ludwigshafen (Rhein)	100.00	100.00	205.2	<sup>1</sup>	EUR
BASF Plant Science GmbH	Ludwigshafen (Rhein)	100.00	0.00	3.1	<sup>1</sup>	EUR
BASF Polyurethanes GmbH	Lemförde	100.00	10.00	37.1	<sup>1</sup>	EUR
BASF Schwarzeide GmbH	Schwarzeide	100.00	10.00	242.3	<sup>1</sup>	EUR
BASF Services Europe GmbH	Berlin	100.00	0.00	(2.4) <sup>2</sup>	<sup>1</sup>	EUR
BASF Trostberger Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	6.00	19.8	<sup>1</sup>	EUR
BASF US Verwaltung GmbH	Ludwigshafen (Rhein)	100.00	0.00	173.7	<sup>1</sup>	USD
BASF watertechnologies GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00	(54.2)	(54.8)	EUR
BASF Wohnen + Bauen GmbH	Ludwigshafen (Rhein)	100.00	10.00	148.0	<sup>1</sup>	EUR
BASF Wolman GmbH	Sinzheim	100.00	10.00	(3.5) <sup>2</sup>	<sup>1</sup>	EUR

<sup>1</sup> Profit and loss transfer agreement

<sup>2</sup> Equity, as defined by German commercial law, is positive.

<sup>3</sup> Administrative headquarters in St. Julians (Malta)

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BTC Europe GmbH	Monheim	100.00	0.00	(0.2)	<sup>1</sup>	EUR
CerTho Produktions GmbH	Unna	100.00	0.00	(1.4) <sup>2</sup>	<sup>1</sup>	EUR
Chemetall GmbH	Frankfurt (Main)	100.00	0.00	386.2	<sup>1</sup>	EUR
Cognis Holding GmbH	Ludwigshafen (Rhein)	100.00	0.00	261.6	<sup>1</sup>	EUR
Cognis International GmbH	Monheim	100.00	0.00	470.8	<sup>1</sup>	EUR
Cognis IP Management GmbH	Monheim	100.00	0.00	325.1	(2.2)	EUR
Construction Research & Technology GmbH	Trostberg	100.00	0.00	233.0	<sup>1</sup>	EUR
Grünau Illertissen GmbH	Illertissen	100.00	0.00	45.5	<sup>1</sup>	EUR
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00	16.0	(0.5)	EUR
Hild Samen GmbH	Marbach	100.00	0.00	18.5	<sup>1</sup>	EUR
hte GmbH the high throughput experimentation company	Heidelberg	100.00	0.00	34.8	<sup>1</sup>	EUR
PCI Augsburg GmbH	Augsburg	100.00	0.00	76.5	<sup>1</sup>	EUR
Rockwood Specialties Group GmbH	Frankfurt (Main)	100.00	0.00	(161.4) <sup>2</sup>	9.0	EUR
trinamiX GmbH	Ludwigshafen (Rhein)	100.00	0.00	0.1	<sup>1</sup>	EUR
<b>Rest of Europe</b>						
BASF A/S	Copenhagen (Denmark)	100.00	100.00	872.9	(431.7)	DKK
BASF AB	Gothenburg (Sweden)	100.00	100.00	71.4	13.7	SEK
BASF Agricultural Specialities Limited	Cheadle (United Kingdom)	100.00	0.00	50.7	5.3	GBP
BASF Agri-Production S.A.S.	Écully (France)	100.00	0.00	73.1	14.6	EUR
BASF Agro B.V.	Arnhem (Netherlands)	100.00	0.00	2,260.2	(121.2)	EUR
BASF Agrochemical Products B.V.	Arnhem (Netherlands)	100.00	0.00	631.6	(480.4)	USD
BASF Antwerpen N.V.	Antwerp (Belgium)	100.00	0.00	8,433.8	9.0	EUR
BASF AS	Oslo (Norway)	100.00	100.00	2,690.8	24.5	NOK
BASF Battery Materials Holding B.V.	Arnhem (Netherlands)	100.00	0.00	12.0	(0.0)	EUR
BASF Battery Integration B.V.	Arnhem (Netherlands)	100.00	0.00	7.8	(0.0)	EUR
BASF Beauty Care Solutions France S.A.S.	Lyon (France)	100.00	0.00	78.9	10.6	EUR
BASF Belgium Coordination Center Comm. V.	Antwerp (Belgium)	100.00	0.00	8,931.0	(51.2)	EUR
BASF Catalysts Asia B.V.	Arnhem (Netherlands)	100.00	0.00	331.9	25.7	EUR
BASF Catalysts Canada B.V.	Arnhem (Netherlands)	100.00	0.00	0.3	(0.0)	EUR
BASF Catalysts UK Holdings Limited	London (United Kingdom)	100.00	0.00	26.7	21.7	GBP
BASF Colors & Effects Netherlands B.V.	Maastricht (Netherlands)	100.00	0.00	27.7	(0.4)	EUR
BASF Colors & Effects Switzerland AG	Basel (Switzerland)	100.00	0.00	35.8	17.2	CHF
BASF Construction Chemicals (UK) Ltd.	Cheadle (United Kingdom)	100.00	0.00	0.1	2.8	GBP
BASF Construction Chemicals Espana S.L.	L'Hospitalet de Llobregat (Spain)	100.00	0.00	153.2	(0.5)	EUR
BASF Construction Chemicals Europe AG	Kaisten (Switzerland)	100.00	0.00	208.4	14.1	CHF
BASF Construction Chemicals Italia Spa	Treviso (Italy)	100.00	0.00	24.6	5.0	EUR
BASF Espanola S.L.	Barcelona (Spain)	100.00	100.00	723.0	49.1	EUR
BASF Finance Europe N.V.	Arnhem (Netherlands)	100.00	100.00	8.6	0.2	EUR
BASF France S.A.S.	Levallois-Perret Cedex (France)	100.00	100.00	539.3	60.2	EUR
BASF Health and Care Products France S.A.S.	Levallois-Perret Cedex (France)	100.00	0.00	25.5	4.8	EUR
BASF Hellas S.A.	Marousi (Greece)	100.00	100.00	10.0	1.6	EUR
BASF Hungária Kft.	Budapest (Hungary)	100.00	100.00	5,211.3	633.8	HUF
BASF Intertrade AG	Zug (Switzerland)	100.00	100.00	108.5	63.2	USD
BASF IP Management C.V.	Arnhem (Netherlands)	100.00	0.00	36.7	5.3	EUR
BASF Ireland Ltd.	Dublin (Ireland)	100.00	0.00	13,340.1	(50.5)	EUR

<sup>1</sup> Profit and loss transfer agreement

<sup>2</sup> Equity, as defined by German commercial law, is positive.



Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Italia S.p.A.	Cesano Maderno (Italy)	100.00	100.00	626.8	35.8	EUR
BASF Metal Forwards Ltd.	London (United Kingdom)	100.00	0.00	54.4	0.4	USD
BASF Metals GmbH	Zug (Switzerland)	100.00	0.00	44.6	0.7	USD
BASF Metals Ltd.	London (United Kingdom)	100.00	0.00	104.0	9.7	USD
BASF Metals Recycling Ltd.	Cinderford (United Kingdom)	100.00	0.00	(5.7)	0.1	GBP
BASF Nederland B.V.	Arnhem (Netherlands)	100.00	100.00	12,715.1	1,144.4	EUR
BASF Operations B.V.	Arnhem (Netherlands)	100.00	0.00	17.3	(6.4)	EUR
BASF Österreich GmbH	Vienna (Austria)	100.00	1.00	37.1	2.2	EUR
BASF Oy	Helsinki (Finland)	100.00	100.00	40.0	(1.9)	EUR
BASF Performance Products France S.A.S.	Huningue (France)	100.00	0.00	72.2	1.7	EUR
BASF Performance Products GmbH	Krieglach (Austria)	100.00	0.00	19.3	(0.0)	EUR
BASF Performance Products Ltd.	Cheadle (United Kingdom)	100.00	0.00	0.0	0.0	GBP
BASF Pharma (Callanish) Ltd.	Cheadle (United Kingdom)	100.00	0.00	(30.2)	(7.9)	GBP
BASF Pharma Belgium N.V.	Antwerp (Belgium)	100.00	0.00	11.4	(0.0)	EUR
BASF plc	Cheadle (United Kingdom)	100.00	0.00	102.2	1.2	GBP
BASF Polska Sp. z o.o.	Warsaw (Poland)	100.00	100.00	472.1	99.5	PLN
BASF Portuguesa, S.A.	Prior Velho (Portugal)	100.00	0.00	6.3	1.5	EUR
BASF Schweiz AG	Basel (Switzerland)	100.00	0.00	711.6	448.7	CHF
BASF Slovensko spol s.r.o.	Bratislava (Slovakia)	100.00	100.00	18.5	6.2	EUR
BASF spol s.r.o.	Prague (Czech Republic)	100.00	100.00	169.6	51.4	CZK
BASF S.R.L.	Bucharest (Romania)	100.00	100.00	79.3	18.4	RON
BASF Stavební hmoty Česká republika s.r.o	Chrudim (Czech Republic)	100.00	0.00	300.1	(9.7)	CZK
BASF T.O.V. LLC	Kyiv (Ukraine)	100.00	0.00	1,388.2	291.2	UAH
BASF Taiwan B.V.	Arnhem (Netherlands)	100.00	0.00	129.9	29.4	EUR
BASF Tuerk Kimya Sanayi ve Ticaret Ltd. Sti.	Istanbul (Turkey)	100.00	0.00	411.6	22.3	TRY
BASF UK Holdings Ltd.	Cheadle (United Kingdom)	100.00	100.00	30.8	0.0	GBP
Becker Underwood (UK) Limited	Cheadle (United Kingdom)	100.00	0.00	64.7	6.7	GBP
BU International Holding Company Ltd.	Cheadle (United Kingdom)	100.00	0.00	63.1	(21.3)	GBP
Chemetall AB	Hisings Backa (Sweden)	100.00	0.00	120.7	(9.9)	SEK
Chemetall B.V.	Oss (Netherlands)	100.00	0.00	53.4	(43.7)	EUR
Chemetall Hungária Vegyiparianyagok Forgalmazó Korlátolt Felelősségű Társaság	Budapest (Hungary)	100.00	0.00	1,099.9	(408.1)	HUF
Chemetall India Company Ltd.	Bletchley (United Kingdom)	100.00	0.00	0.8	0.0	GBP
Chemetall Italia S.r.l.	Giussano (Italy)	100.00	0.00	116.8	1.0	EUR
Chemetall Ltd.	Bletchley (United Kingdom)	100.00	0.00	113.4	(4.7)	GBP
Chemetall Polska Sp. z o.o.	Warsaw (Poland)	100.00	0.00	55.1	21.7	PLN
Chemetall S.A. Unipersonal	Canovelles (Spain)	100.00	0.00	103.8	(1.4)	EUR
Chemetall S.A.S.	Gennevilliers (France)	100.00	0.00	260.0	(2.2)	EUR
Chemetall S.R.L.	Guissano (Italy)	100.00	0.00	(12.4)	3.4	EUR
Chemetall Sanayi Kimyasallari Ticaret ve Sanayi A.S.	Kocaeli (Turkey)	100.00	0.00	217.8	27.8	TRY
Ciba Specialty Chemicals Water Treatments Ltd.	Cheadle (United Kingdom)	100.00	0.00	0.0	(0.4)	GBP
Ciba UK Investment Ltd.	Cheadle (United Kingdom)	100.00	0.00	0.1	0.0	GBP
Cognis B.V.	Arnhem (Netherlands)	100.00	0.00	874.0	1.0	EUR
Dom v Kadesh LLC	Moscow (Russian Federation)	100.00	0.01	160.9	42.1	RUB
Esuco Beheer B.V.	Arnhem (Netherlands)	100.00	0.00	0.1	0.0	EUR
Isobionics B.V.	Geleen (Netherlands)	100.00	0.00	8.7	0.2	EUR
KENDELL S.r.l.	Roveredo in Piano (Italy)	100.00	0.00	0.6	0.1	EUR
Knight Chimiques de Spécialité S.A.S.	Gennevilliers (France)	100.00	0.00	9.9	1.0	EUR

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
MicroBio Canada Limited	Cheadle (United Kingdom)	100.00	0.00	29.3	0.0	GBP
Nunhems B.V.	Nunhem (Netherlands)	100.00	0.00	203.1	2.9	EUR
Nunhems France S.A.S.	Beaucouzé Cedex (France)	100.00	0.00	2.9	0.7	EUR
Nunhems Hungary Kft	Budapest (Hungary)	100.00	0.00	591.0	(69.9)	HUF
Nunhems Italy S.r.l.	Sant'Agata Bolognese (Italy)	100.00	0.00	15.1	0.2	EUR
Nunhems Netherlands B.V.	Nunhem (Netherlands)	100.00	0.00	827.7	(46.6)	EUR
Nunhems Poland sp z.o.o.	Warsaw (Poland)	100.00	0.00	5.8	0.6	PLN
Nunhems Spain S.A.	Paterna (Spain)	100.00	0.00	18.7	1.6	EUR
Nunhems Tohumculuk AS	Serik (Turkey)	100.00	0.00	126.1	20.1	TRY
Nunhems UK Ltd	Reading (United Kingdom)	100.00	0.00	0.3	0.2	GBP
NUNHEMS UKRAINE T.O.V.	Kyiv (Ukraine)	100.00	0.00	70.5	9.1	UAH
OOO BASF	Moscow (Russian Federation)	100.00	0.01	5,305.0	2,037.6	RUB
OOO BASF Stroitelnye Sistemy	Moscow (Russian Federation)	100.00	0.00	717.3	242.8	RUB
OOO BASF Wostok	Pawlowski Possad (Russian Federation)	100.00	0.00	809.3	172.8	RUB
OOO BASF Yug	Moscow (Russian Federation)	100.00	0.00	(8.6)	(32.5)	RUB
OOO Chemetall	Moscow (Russian Federation)	100.00	0.00	383.7	(6.5)	RUB
PCI Bauprodukte AG	Holderbank (Switzerland)	100.00	0.00	0.5	0.1	CHF
Rolic Technologies Ltd.	Allschwil (Switzerland)	100.00	0.00	68.5	(5.3)	CHF
Société Foncière et Industrielle S.A.S.	Clermont de l'Oise (France)	92.90	0.00	9.0	0.1	EUR
Sorex Holdings Ltd.	Widnes (United Kingdom)	100.00	0.00	2.0	(0.0)	GBP
<b>North America</b>						
BASF Agricultural Solutions Puerto Rico LLC	San Juan (Puerto Rico)	100.00	0.00	16.4	(0.0)	USD
BASF Agricultural Solutions Seed US LLC	Florham Park, New Jersey (USA)	100.00	0.00	3,049.8	38.1	USD
BASF Agricultural Specialties Ltd.	Saskatoon, Saskatchewan (Canada)	100.00	0.00	49.1	2.8	CAD
BASF Americas Corporation	Florham Park, New Jersey (USA)	100.00	0.00	7,856.4	325.1	USD
BASF California Inc.	Florham Park, New Jersey (USA)	100.00	0.00	369.4	63.9	USD
BASF Canada Inc.	Mississauga, Ontario (Canada)	100.00	100.00	775.3	93.6	CAD
BASF Catalysts Holding China LLC	Florham Park, New Jersey (USA)	96.25	0.00	(0.1)	10.4	USD
BASF Catalysts Holding LLC	Florham Park, New Jersey (USA)	100.00	0.00	727.1	64.4	USD
BASF Catalysts LLC	Florham Park, New Jersey (USA)	100.00	0.00	27.3	51.5	USD
BASF Colors & Effects USA LLC	Wilmington, Delaware (USA)	100.00	0.00	663.6	2.0	USD
BASF Corporation	Florham Park, New Jersey (USA)	100.00	0.00	11,599.8	286.0	USD
BASF de Costa Rica, S.A.	San Jose (Costa Rica)	100.00	0.00	23.1	2.3	USD
BASF de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00	99.99	267.9	22.2	USD
BASF Enzymes LLC	San Diego, California (USA)	100.00	0.00	(12.2)	(29.1)	USD
BASF Interservicios S.A. de C.V.	Mexico City (Mexico)	100.00	0.01	1.2	(0.7)	USD
BASF Intertrade Corporation	Houston, Texas (USA)	100.00	0.00	21.7	4.5	USD
BASF Investments Canada Inc.	New Westminster, British Columbia (Canada)	100.00	0.00	422.4	8.6	USD
BASF Mexicana, S.A. de C.V.	Mexico City (Mexico)	100.00	0.00	546.2	55.8	USD
BASF Panamá S.A.	Panama City (Panama)	100.00	100.00	6.1	(1.0)	PAB
BASF Pipeline Holdings LLC	Houston, Texas (USA)	100.00	0.00	16.1	1.1	USD
BASF Plant Science LP	Raleigh, North Carolina (USA)	100.00	0.00	136.6	9.3	USD
BASF Qtech Inc.	Mississauga, Ontario (Canada)	100.00	0.00	(18.8)	(0.2)	CAD
BASF TODA America LLC	Iselin, New York (USA)	86.25	0.00	70.7	(17.2)	USD
BASF TOTAL Petrochemicals LLC	Port Arthur, Texas (USA)	60.00	0.00	942.4	73.5	USD

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF UK Finance LLC	Wilmington, Delaware (USA)	100.00	0.00	4,869.1	282.9	USD
BASF USA Holding LLC	Florham Park, New Jersey (USA)	100.00	0.00	4,339.0	0.0	USD
BASFIN Corporation	Florham Park, New Jersey (USA)	100.00	0.00	7,152.4	401.8	USD
Becker Underwood UK Inc.	Ames, Iowa (USA)	100.00	0.00	159.4	0.0	USD
Chemetall Canada Limited	Brampton, Ontario (Canada)	100.00	0.00	13.1	2.7	CAD
Chemetall Mexicana, S.A. de C.V.	El Marques (Mexico)	100.00	0.00	93.2	3.2	MXN
Chemetall U.S., Inc.	New Providence, New Jersey (USA)	100.00	0.00	783.7	1.2	USD
Chemical Insurance Company Ltd.	Hamilton (Bermuda)	100.00	100.00	137.6	30.5	CHF
Ciba Specialty Chemicals Eurofinance Ltd.	Hamilton (Bermuda)	100.00	0.00	0.0	(0.1)	EUR
Cognis USA LLC	Cincinnati, Ohio (USA)	100.00	0.00	821.6	(6.1)	USD
Engelhard Asia-Pacific LLC	Wilmington, Delaware (USA)	100.00	0.00	131.5	22.6	USD
Imperarva S.A. de C.V.	Nonoalco (Mexico)	100.00	0.00	17.3	4.5	MXN
Lumerica Insurance Company	Burlington, Vermont (USA)	100.00	0.00	148.6	12.0	USD
Nunhems México, S.A. de C.V.	Leon Guanajuato (Mexico)	100.00	0.00	257.8	21.7	MXN
Nunhems USA Inc.	Parma, Ohio (USA)	100.00	0.00	116.1	(33.6)	USD
Ovonix Battery Company Inc.	Iselin, New Jersey (USA)	100.00	0.00	(0.6)	0.4	USD
Pinturas Térmicas del Norte S.A. de C.V.	Monterrey (Mexico)	100.00	0.00	1,474.2	4.1	MXN
ProCat Testing Holdings Inc.	Florham Park, New Jersey (USA)	100.00	0.00	11.7	0.0	USD
ProCat Testing LLC	Wixom, Michigan (USA)	100.00	0.00	23.5	0.5	USD
TRADEWINDS Chemicals Corporation	Florham Park, New Jersey (USA)	100.00	0.00	28.1	(9.5)	USD
Watson Bowman Acme Corp.	Amherst, New York (USA)	100.00	0.00	37.1	2.5	USD
ZedX, Inc.	Bellefonte, Pennsylvania (USA)	100.00	0.00	8.6	(2.9)	USD
<b>Asia Pacific</b>						
BASF Advanced Chemicals Co., Ltd.	Shanghai (China)	100.00	0.00	3,215.0	474.7	CNY
BASF Asia-Pacific Service Centre Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	0.00	46.1	8.4	MYR
BASF Australia Ltd.	Southbank (Australia)	100.00	0.00	65.5	26.2	AUD
BASF Care Chemicals (Shanghai) Co. Ltd.	Shanghai (China)	100.00	0.00	2,169.6	153.4	CNY
BASF Catalysts (Guilin) Co., Ltd.	Guilin (China)	96.25	0.00	446.9	69.8	CNY
BASF Catalysts India Private Ltd.	Mumbai (India)	95.00	0.00	4,870.2	38.5	INR
BASF Catalysts (Shanghai) Co. Ltd.	Shanghai (China)	96.25	0.00	4,028.9	423.8	CNY
BASF Central Asia LLP	Almaty (Kazakhstan)	100.00	0.00	(2,340.0)	(3,483.1)	KZT
BASF Chemcat (Thailand) Ltd.	Rayong (Thailand)	80.00	0.00	768.8	(76.4)	THB
BASF Chemicals Company Ltd.	Shanghai (China)	100.00	0.00	385.1	(228.4)	CNY
BASF Chemicals India Pvt. Ltd.	Mumbai (India)	100.00	0.00	(1,967.8)	302.4	INR
BASF (China) Company Ltd.	Shanghai (China)	100.00	100.00	5,494.5	650.6	CNY
BASF Coatings (Guangdong) Co., Limited	Jiangmen (China)	100.00	0.00	101.8	2.5	CNY
BASF Colors & Effects Japan Ltd.	Tokyo (Japan)	100.00	0.00	0.4	0.1	JPY
BASF Colors & Effects Korea Ltd.	Ulsan (South Korea)	100.00	0.00	68.7	(5.6)	KRW
BASF Colors & Effects Shanghai Ltd.	Shanghai (China)	100.00	0.00	119.6	3.6	CNY
BASF Colors & Effects Singapore Pte. Ltd.	Singapore (Singapore)	100.00	0.00	11.2	3.4	USD
BASF Company Ltd.	Seoul (South Korea)	100.00	0.00	876.7	76.5	KRW
BASF Construction Chemicals (China) Co., Ltd.	Shanghai (China)	100.00	0.00	155.9	30.7	CNY
BASF Construction Systems (China) Co. Ltd.	Huzhou (China)	100.00	0.00	14.8	5.5	CNY
BASF Crop Protection (JiangSu) Co. Ltd.	Rudong County (China)	100.00	0.00	505.7	119.0	CNY
BASF East Asia Regional Headquarters Ltd.	Hong Kong (China)	100.00	0.00	687.8	743.0	HKD

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Electronic Materials (Shanghai) Co. Ltd.	Shanghai (China)	100.00	0.00	23.9	17.5	CNY
BASF Environmental Technologies (Shanghai) Co. Ltd.	Shanghai (China)	96.25	0.00	(30.1)	(25.0)	CNY
BASF Gao-Qiao Performance Chemicals (Shanghai) Co. Ltd.	Shanghai (China)	75.00	0.00	711.7	84.0	CNY
BASF High Purity Electronic Chemicals Production (Jiaxing) Company Limited	Jiaxing (China)	100.00	0.00	69.9	14.9	CNY
BASF HOCK Mining Chemical (China) Co. Ltd.	Jining (China)	75.00	0.00	38.8	31.9	CNY
BASF Hong Kong Ltd.	Hong Kong (China)	100.00	0.00	145.9	96.7	USD
BASF Idemitsu Co. Ltd.	Tokyo (Japan)	67.00	67.00	1.6	(0.5)	JPY
BASF India Limited	Mumbai (India)	73.33	48.37	14,119.2	466.2	INR
BASF Integrated Site (Guangdong) Co. Ltd.	Zhanjiang (China)	100.00	50.00	342.5	(27.5)	CNY
BASF Intertrade (Shanghai) Co. Ltd.	Shanghai (China)	100.00	0.00	156.1	4.1	CNY
BASF Japan Ltd.	Tokyo (Japan)	100.00	0.00	46.7	3.5	JPY
BASF (Malaysia) Sdn. Bhd.	Shah Alam (Malaysia)	100.00	0.00	436.9	117.4	MYR
BASF Markor Chemical Manufacturing (Xinjiang) Company Limited	Korla (China)	51.00	0.00	149.7	4.3	CNY
BASF Metals Japan Ltd.	Tokyo (Japan)	100.00	100.00	4.6	0.5	JPY
BASF Metals (Shanghai) Co. Ltd.	Shanghai (China)	100.00	0.00	523.5	155.5	CNY
BASF New Zealand Ltd.	Auckland (New Zealand)	100.00	100.00	7.9	1.9	NZD
BASF Paper Chemicals (Huizhou) Co. Ltd.	Huizhou City (China)	100.00	0.00	(90.9)	(13.5)	CNY
BASF Paper Chemicals (Jiangsu) Co. Ltd.	Jiangsu (China)	100.00	0.00	308.2	14.5	CNY
BASF Performance Products Ltd.	Shanghai (China)	100.00	0.00	1,158.1	75.1	CNY
BASF PETRONAS Chemicals Sdn. Bhd.	Shah Alam (Malaysia)	60.00	0.00	483.4	(68.5)	USD
BASF Polyurethane Specialties (China) Co. Ltd.	Shanghai (China)	100.00	7.00	2,507.7	305.8	CNY
BASF Polyurethanes (China) Co. Ltd.	Guangzhou (China)	100.00	0.00	579.8	29.6	CNY
BASF Polyurethanes (Chongqing) Co. Ltd.	Chongqing (China)	100.00	100.00	4,395.0	593.5	CNY
BASF Polyurethanes (Tianjin) Co. Ltd.	Tianjin (China)	100.00	0.00	58.6	36.8	CNY
BASF Services (Malaysia) Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	100.00	191.9	(0.1)	MYR
BASF Shanghai Coatings Co. Ltd.	Shanghai (China)	60.00	0.00	1,277.3	145.7	CNY
BASF South East Asia Pte. Ltd.	Singapore (Singapore)	100.00	0.00	302.8	19.6	USD
BASF Specialty Chemicals (Nanjing) Co. Ltd.	Nanjing (China)	100.00	0.00	457.7	18.3	CNY
BASF (Thai) Ltd.	Bangkok (Thailand)	100.00	100.00	1,626.6	358.1	THB
BASF Taiwan Ltd.	Taipei (Taiwan)	100.00	0.00	6,247.2	1,446.4	TWD
BASF TODA Battery Materials, LLC	Tokyo (Japan)	66.00	0.00	13.2	0.1	JPY
BASF Vietnam Co. Ltd.	Ben Nghe Ward (Vietnam)	100.00	0.00	462.2	141.3	VND
BASF Vitamins Company Ltd.	Shenyang (China)	100.00	60.00	529.6	42.5	CNY
Chemetall Asia Pte. Ltd.	Singapore (Singapore)	100.00	0.00	113.1	8.6	SGD
Chemetall (Australasia) Pty. Ltd.	Melbourne (Australia)	100.00	0.00	33.2	0.7	AUD
Chemetall Hong Kong Ltd.	Hong Kong (China)	100.00	0.00	33.2	15.1	CNY
Chemetall India Private Ltd.	Pune (India)	100.00	0.00	4,058.4	178.2	INR
Chemetall New Zealand Ltd.	Avondale (New Zealand)	100.00	0.00	18.2	(0.4)	NZD
Chemetall Philippines Co. Ltd., Inc.	Taguig (Philippines)	99.95	0.00	70.8	(22.6)	PHP
Chemetall Surface Treatment Holding Co., Ltd.	<sup>4</sup> Bangkok (Thailand)	49.33	0.00	(2.2)	(0.9)	THB
Chemetall (Thailand) Co. Ltd.	Bangkok (Thailand)	74.16	0.00	110.7	13.7	THB
Nunhems Australia Pty Ltd	Northgate (Australia)	100.00	0.00	1.9	0.1	AUD
Nunhems Beijing Seeds Company Ltd.	Beijing (China)	80.00	0.00	160.0	4.1	CNY
NUNHEMS INDIA PRIVATE LIMITED	Kandlakoya (India)	99.99	0.00	7,983.0	(93.7)	INR
PT BASF Care Chemicals Indonesia	Jakarta (Indonesia)	84.70	0.00	647.1	2.2	IDR
PT BASF Distribution Indonesia	Jakarta (Indonesia)	100.00	0.00	196.3	121.5	IDR

<sup>4</sup> Fully consolidated as per IFRS 10

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
PT BASF Indonesia	Jakarta (Indonesia)	99.99	99.99	808.3	34.0	IDR
Shanghai BASF Polyurethane Company Ltd.	Shanghai (China)	70.00	0.00	2,582.2	783.0	CNY
Shanghai Chemetall Chemicals Co. Ltd.	Shanghai (China)	100.00	0.00	5,396.9	20.8	CNY
Zhejiang Chemetall Surface Treatment Materials Co. Ltd.	Pinghu City (China)	100.00	0.00	149.2	(0.8)	CNY
<b>South America, Africa, Middle East</b>						
BASF Argentina S.A.	Buenos Aires (Argentina)	100.00	0.00	2,348.3	291.5	ARS
BASF Chile S.A.	Santiago de Chile (Chile)	100.00	0.00	31.6	10.6	CLP
BASF Coatings Services (Pty.) Ltd.	Cape Town (South Africa)	70.00	0.00	156.8	16.8	ZAR
BASF Construction Chemicals South Africa (Pty.) Ltd	Midrand (South Africa)	70.00	0.00	(233.7)	(80.3)	ZAR
BASF Construction Chemicals Algeria SARL	Algiers (Algeria)	60.00	0.00	1,139.3	59.8	DZD
BASF Construction Chemicals Egypt (SAE)	Cairo (Egypt)	50.00	0.00	160.0	143.1	EGP
BASF Construction Chemicals Limitada	Santiago de Chile (Chile)	100.00	0.00	6.9	1.0	CLP
BASF Construction Chemicals Perú Sociedad Anonima	Lima (Peru)	70.00	0.00	29.3	12.3	PEN
BASF Construction Chemicals UAE LLC <sup>4</sup>	Dubai (United Arab Emirates)	49.00	0.00	363.0	(16.1)	AED
BASF Corporate Services Chile S.A.	Santiago de Chile (Chile)	100.00	99.93	17.3	0.4	CLP
BASF FZE	Dubai (United Arab Emirates)	100.00	100.00	100.9	43.4	AED
BASF Holdings South Africa (Pty.) Ltd.	Midrand (South Africa)	70.00	0.00	881.3	14.6	ZAR
BASF Peruana S.A.	Lima (Peru)	100.00	99.79	67.4	5.9	PEN
BASF Plastic Additives Middle East S.P.C.	Al Hidd (Bahrain)	100.00	0.00	2.4	(1.3)	BHD
BASF Poliuretanos Ltda.	Maua (Brazil)	100.00	0.00	59.0	10.3	BRL
BASF Química Colombiana S.A.	Bogota (Colombia)	99.99	0.00	59.6	12.2	COP
BASF S.A.	São Paulo (Brazil)	100.00	0.00	5,032.5	643.8	BRL
BASF Services Americas S.R.L.	Montevideo (Uruguay)	100.00	0.00	159.3	15.2	UYU
BASF South Africa (Pty.) Ltd.	Midrand (South Africa)	70.00	0.00	2,622.8	22.9	ZAR
BASF Uruguay S.A.	Montevideo (Uruguay)	100.00	100.00	383.1	132.3	UYU
Bioseeds S.A.	Buenos Aires (Argentina)	100.00	0.00	22.6	(51.1)	ARS
CA Pesquisa e Comercio de Sementes Ltda.	Campinas (Brazil)	100.00	0.00	36.0	(0.1)	BRL
Chemetall do Brasil Ltda.	Jundiai (Brazil)	100.00	0.00	38.4	0.6	BRL
Chemetall (Proprietary) Ltd.	Boksburg (South Africa)	100.00	0.00	397.5	(20.1)	ZAR
Chemetall S.R.L.	Buenos Aires (Argentina)	100.00	0.00	29.9	11.8	ARS
Nunhems Chile SpA	Santiago de Chile (Chile)	100.00	0.00	10.3	0.4	CLP
NUNHEMS ISRAEL SEEDS 2018 LTD	Hod Hasharon (Israel)	100.00	0.00	1.8	1.1	ILS
Nunhems Maroc SARL	Casablanca (Morocco)	100.00	100.00	(0.4)	(13.1)	MAD
Saudi BASF for Building Materials Co. Ltd.	Al Khobar (Saudi Arabia)	60.00	0.00	133.5	3.2	SAR
The BASF South Africa Trust	Johannesburg (South Africa)	0.00 <sup>5</sup>	0.00	1.9	1.8	ZAR

<sup>4</sup> Fully consolidated as per IFRS 10

<sup>5</sup> Share of voting rights: 50.02%

## Proportionally consolidated joint operations

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Rest of Europe</b>						
BASF DOW HPPO Holding B.V.	Hoek (Netherlands)	50.00	0.00	27.4	3.0	EUR
BASF DOW HPPO Production BVBA	Antwerp (Belgium)	50.00	0.00	50.3	16.4	EUR
Ellba C.V.	Rotterdam (Netherlands)	50.00	0.00	101.4	18.4	EUR
HPPO Holding and Finance C.V.	Hoek (Netherlands)	50.00	0.00	27.4	3.0	EUR
Zandvliet Power N.V.	Antwerp (Belgium)	50.00	0.00	18.7	1.6	EUR
<b>Asia Pacific</b>						
KOLON BASF innoPOM Inc.	Gimcheon (South Korea)	50.00	0.00	50.5	1.9	USD
Toray BASF PBT Resin Sdn. Bhd.	Kuala Lumpur (Malaysia)	50.00	50.00	39.2	7.0	MYR

## Joint ventures accounted for using the equity method

Information on equity and earnings after taxes generally pertain to preliminary 2019 figures.

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Germany</b>						
Wintershall Dea GmbH	Kassel, Hamburg	72.70 <sup>6</sup>	0.00	8,289.0	284.5	EUR
<b>Rest of Europe</b>						
BASF Interlox H202 Produktion N.V.	Brussels (Belgium)	50.00	0.00	43.6	43.6	EUR
BASF Sonatrach Propanchem S.A.	Tarragona (Spain)	51.00	0.00	52.2	48.9	EUR
<b>North America</b>						
Industrias Polioles S.A. de C.V.	Mexico City (Mexico)	49.90	0.00	1.6	0.4	USD
Polioles, S.A. de C.V.	Lerma (Mexico)	50.00	0.00	27.9	3.4	USD
<b>Asia Pacific</b>						
BASF INOAC Polyurethanes Ltd.	Shinshiro (Japan)	50.00	0.00	6.1	1.9	JPY
BASF MPCC Company Limited	Guangdong (China)	50.00	0.00	536.1	74.8	CNY
BASF PJPC Neopentylglycol Co. Ltd.	Jilin City (China)	60.00	50.00	177.8	(24.9)	CNY
BASF-YPCC Company Ltd.	Nanjing (China)	50.00	10.00	12,057.2	1,638.2	CNY
Changchun Chemetall Chemicals Co., Ltd.	Changchun (China)	57.00	0.00	40.7	15.6	CNY
Heesung Catalysts Corporation	Seoul (South Korea)	50.00	0.00	534.2	81.7	KRW
Heesung PMTech Corporation	Seoul (South Korea)	40.05	0.00	534.2 <sup>7</sup>	81.7 <sup>7</sup>	KRW
N.E. Chemcat Corporation	Tokyo (Japan)	50.00	0.00	40.9	4.2	JPY
Shanghai Gaoqiao BASF Dispersions Co. Ltd.	Shanghai (China)	50.00	40.00	171.8	(10.8)	CNY
Thai Ethoxylate Co., Ltd.	Bangkok (Thailand)	50.00	0.00	1,171.9	133.7	THB

<sup>6</sup> Interest in share capital: 67%

<sup>7</sup> Figures relate to the superordinate company (Heesung Catalysts Corporation)

## Associated companies accounted for using the equity method

Information on equity and earnings after taxes generally pertain to preliminary 2019 figures.

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Germany</b>						
ARG mbH & Co. KG	Oberhausen	19.93 <sup>8</sup>	19.93	12.5	38.0	EUR
Lucura Versicherungs AG	Ludwigshafen (Rhein)	100.00	0.00	340.8	69.4	EUR
<b>Rest of Europe</b>						
Ahrma Holding B.V.	Deventer (Netherlands)	33.00 <sup>9</sup>	0.00	(3.3)	(3.0)	EUR
BASF Huntsman Shanghai Isocyanate Investment B.V.	Arnhem (Netherlands)	50.00	0.00	146.0	14.5	EUR
CIMO Compagnie industrielle de Monthey S.A.	Monthey (Switzerland)	50.00	0.00	204.1	2.3	CHF
Solenis UK International Ltd	London (United Kingdom)	49.00	0.00	1,106.7	(161.4)	USD
Stahl Lux 2 S.A.	Luxembourg (Luxembourg)	16.32 <sup>8</sup>	0.00	117.3	56.0	EUR
<b>North America</b>						
Yara Freeport LLC	Wilmington, Delaware (USA)	32.00	0.00	384.5	0.4	USD
<b>Asia Pacific</b>						
Markor Meiou Chemical (Xinjiang) Co., Ltd.	Korla (China)	49.00	0.00	313.2	(38.2)	CNY
Shanghai Lianheng Isocyanate Co. Ltd.	Shanghai (China)	35.00	0.00	1,889.7	92.2	CNY

## II. Associated companies not consolidated due to immateriality

### Subsidiaries not consolidated due to immateriality

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
<b>Germany</b>			
Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH	Mönchengladbach	100.00	0.00
Axaron Bioscience AG	Ludwigshafen (Rhein)	99.97	0.00
baseclick GmbH	Neuried	67.23	0.00
BASF 3D Printing Solutions GmbH	Heidelberg	100.00	0.00
BASF Biorenewable Beteiligungs GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00
BASF Coatings Services GmbH	Dortmund	100.00	0.00
BASF Deutsche Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Digital Farming GmbH	Münster	100.00	0.00
BASF Fuel Cell GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Fuel Cell Pensionsverwaltung GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Gastronomie GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Immobilien-Gesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00
BASF Innovationsfonds GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Jobmarkt GmbH	Ludwigshafen (Rhein)	100.00	100.00
BASF Lizenz GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Logistics GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Metabolome Solutions GmbH	Berlin	100.00	0.00
BASF Mobilienleasing GmbH & Co. KG	Monheim	100.00	0.00
BASF Oldenburger Grundbesitz GmbH	Oldenburg	100.00	0.00

<sup>8</sup> BASF exercises significant influence over financial and corporate policy

<sup>9</sup> Total voting rights: 40%



Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
BASF Schwarzheide Consulting GmbH	Schwarzheide	100.00	0.00
BASF VC Beteiligungs- und Managementgesellschaft mbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Venture Capital GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF watertechnologies Beteiligungs GmbH	Schwarzheide	100.00	100.00
BFC Research GmbH	Ludwigshafen (Rhein)	100.00	0.00
CHEMOVATOR GmbH	Mannheim	100.00	0.00
Chemster GmbH	Mannheim	100.00	0.00
CM-Hilfe GmbH Unterstützungskasse	Frankfurt (Main)	100.00	0.00
Cognis Trust Management GmbH	Düsseldorf	100.00	0.00
Deutsche Nanoschicht GmbH	Rheinbach	100.00	0.00
FSB Flugplatz Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	0.00
FSL Flugplatz Speyer/Ludwigshafen GmbH	Speyer	59.35	9.43
Gesellschaft zur Förderung der Lackkunst mbH	Münster	100.00	0.00
Gewerkschaft des konsolidierten Steinkohlebergwerks Breitenbach GmbH	Ludwigshafen (Rhein)	100.00	100.00
Guano-Werke Pensionsverwaltung GmbH	Ludwigshafen (Rhein)	100.00	0.00
Guano-Werke Verwaltungs GmbH	Ludwigshafen (Rhein)	100.00	0.00
LUCARA Immobilienverwaltungs-GmbH	Ludwigshafen (Rhein)	100.00	100.00
Projektentwicklungs-GmbH Friesenheimer Insel	Ludwigshafen (Rhein)	100.00	100.00
RepairFix GmbH	Münster	100.00	0.00
SGS - Schwarzheider Gastronomie und Service GmbH	Schwarzheide	100.00	0.00
SunGene GmbH	Ludwigshafen (Rhein)	100.00	0.00
<b>Rest of Europe</b>			
Allied Colloids Group Limited	Cheadle (United Kingdom)	100.00	0.00
A.M. Craig Limited	Bletchley (United Kingdom)	100.00	0.00
Ardrox Ltd.	Bletchley (United Kingdom)	100.00	0.00
BASF 3D Printing Solutions B.V.	Emmen (Netherlands)	100.00	0.00
BASF Battery Materials Finland Oy	Helsinki (Finland)	100.00	0.00
BASF Business Services Holding Ltd.	Cheadle (United Kingdom)	100.00	0.00
BASF Business Services Ltd.	Cheadle (United Kingdom)	100.00	0.00
BASF Business Services N.V.	Antwerp (Belgium)	100.00	0.00
BASF Coatings Services AB	Hisings Kärra (Sweden)	100.00	0.00
BASF Coatings Services AG	Pfäffikon (Switzerland)	100.00	0.00
BASF Coatings Services B.V.	Maarsse (Netherlands)	100.00	0.00
BASF Coatings Services GmbH	Eugendorf (Austria)	100.00	0.00
BASF Coatings Services Italy Srl	Cesano Maderno (Italy)	100.00	0.00
BASF Coatings Services S.A.	Prior Velho (Portugal)	100.00	0.00
BASF Coatings Services S.A.	Bornem (Belgium)	100.00	0.00
BASF Coatings Services S.A.S.	Compans (France)	100.00	0.00
BASF Coatings Services S.A.U.	Guadalajara (Spain)	100.00	0.00
BASF Coatings Services S.R.L.	Bucharest (Romania)	100.00	99.99
BASF Coatings Services Sp. z o.o.	Warsaw (Poland)	100.00	0.00
BASF Colors & Effects Iberia S.L.	Barcelona (Spain)	100.00	0.00
BASF COLORS & EFFECTS ITALY SRL	Cesano Maderno (Italy)	100.00	100.00
BASF Colors & Effects Kimyevi Maddeler Ltd. Sirket	Istanbul (Turkey)	100.00	0.00
BASF Colors & Effects UK Ltd.	Cheadle (United Kingdom)	100.00	0.00
BASF Croatia d.o.o.	Zagreb (Croatia)	100.00	100.00
BASF Digital Solutions S.L.	Madrid (Spain)	100.00	0.00

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
BASF EOOD	Sofia (Bulgaria)	100.00	100.00
BASF Industrial Metals LLC	Moscow (Russian Federation)	100.00	0.00
BASF IP Management B.V.	Arnhem (Netherlands)	100.00	0.00
BASF Pensions Trustee Limited	Cheadle (United Kingdom)	100.00	0.00
BASF SIA	Marupe (Latvia)	100.00	0.00
BASF Slovenija d.o.o.	Ljubljana (Slovenia)	100.00	100.00
BASF Srbija d.o.o.	Belgrade (Serbia)	100.00	100.00
BASF UAB	Vilnius (Lithuania)	100.00	100.00
BCI PENSIONS TRUSTEE LIMITED	Bletchley (United Kingdom)	100.00	0.00
Bluecense B.V.	Geleen (Netherlands)	100.00	0.00
Boots Galenika d.o.o.	Belgrade (Serbia)	51.00	51.00
Brent Europe Ltd.	Bletchley (United Kingdom)	100.00	0.00
Brent International B.V.	Bletchley (United Kingdom)	100.00	0.00
CarRoll BVBA	Turnhout (Belgium)	75.00	0.00
Chem2U AG	Basel (Switzerland)	100.00	0.00
Chemserve Ltd.	Bletchley (United Kingdom)	100.00	0.00
Ciba Scandinavia AB	Göteborg (Sweden)	100.00	0.00
Ciba Services AG	Basel (Switzerland)	100.00	0.00
Cognis Holdings UK Ltd.	Cheadle (United Kingdom)	100.00	0.00
CropDesign N.V.	Nevele (Belgium)	100.00	0.00
DLight BVBA	Geel (Belgium)	75.00	0.00
Engelhard Arganda S.L.	Tarragona (Spain)	100.00	100.00
FLLC BASF	Minsk (Belarus)	100.00	0.00
Inca Bronze Powders Ltd.	Cheadle (United Kingdom)	100.00	0.00
Interlates Ltd.	Cheadle (United Kingdom)	100.00	0.00
Low Moor Securities Ltd.	Cheadle (United Kingdom)	100.00	0.00
Master Builders Solutions Belgium N.V.	Ham (Belgium)	100.00	0.00
Master Builders Solutions France SAS	Lisses (France)	100.00	0.00
Master Builders Solutions Nederland B.V.	Oosterhout (Netherlands)	100.00	0.00
Master Builders Solutions Polska sp. z o.o.	Mysłenice (Poland)	100.00	0.00
Master Builders Solutions Yapi Kimyasalları Sanayi ve Ticaret Limited Şirketi	Istanbul (Turkey)	100.00	0.00
Rolic Technologies B.V.	Eindhoven (Netherlands)	100.00	0.00
Sculpteo SAS	Villejuif (France)	100.00	0.00
SETUP Performance SAS	Frontonas (France)	100.00	0.00
The Brent Manufacturing Company Ltd.	Bletchley (United Kingdom)	100.00	0.00
The MicroBio Group Limited	Cheadle (United Kingdom)	100.00	0.00
The Sheffield Smelting Co. Ltd.	Cheadle (United Kingdom)	100.00	0.00
UBench B.V.	Turnhout (Belgium)	75.00	0.00
UBench International NV	Turnhout (Belgium)	75.00	0.00
<b>North America</b>			
Automotive Refinish Technologies Inc.	Mississauga, Ontario (Canada)	100.00	0.00
Automotive Refinish Technologies, LLC	Southfield, Michigan (USA)	100.00	0.00
AutoSpot LLC	Wilmington, Delaware (USA)	100.00	0.00
BASF Colors & Effects México, S.A. de C.V.	Mexico City (Mexico)	100.00	0.00
BASF Construction Canada Holdings Inc.	Mississauga, Ontario (Canada)	100.00	0.00
BASF de El Salvador, S.A. de C.V.	San Salvador (El Salvador)	100.00	99.95

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
BASF de Guatemala S.A.	Guatemala City (Guatemala)	100.00	99.34
BASF Dominicana S.A.	Santo Domingo (Dominican Republic)	100.00	100.00
BASF Performance Polyamides LLC	Florham Park, New Jersey (USA)	100.00	0.00
BASF Performance Polyamides S. de R.L. de C.V.	Mexico City (Mexico)	100.00	100.00
BASF Properties Inc.	Mississauga, Ontario (Canada)	100.00	0.00
BASF Venture Capital America Inc.	Fremont, California (USA)	100.00	0.00
Chemster LLC	San Francisco, California (USA)	100.00	0.00
Ciba S.A. (ACC)	Guatemala City (Guatemala)	100.00	0.00
EnerG2 Technologies, Inc.	Seattle, Washington (USA)	100.00	0.00
Good Roofing Incorporated	Laredo, Texas (USA)	100.00	0.00
Master B. Solutions Mexicana, S.A. de C.V.	Mexico City (Mexico)	100.00	0.00
Master Builders Solutions US LLC	Florham Park, New Jersey (USA)	100.00	0.00
SkyBit Inc.	Boalsburg, Pennsylvania (USA)	100.00	0.00
Thousand Springs Trout Farms, Inc.	Florham Park, New Jersey (USA)	100.00	0.00
<b>Asia Pacific</b>			
Allied Colloids (Asia) Ltd.	Hong Kong (China)	100.00	0.00
BASF Agricultural Solutions Australia PTY LTD	Southbank (Australia)	100.00	0.00
BASF AGRICULTURAL SOLUTIONS MALAYSIA SDN. BHD	Kuala Lumpur (Malaysia)	100.00	0.00
BASF Bangladesh Ltd.	Dhaka (Bangladesh)	76.41	76.41
BASF (Cambodia) Co. Ltd.	Phnom Penh (Cambodia)	100.00	0.00
BASF Caspian LLC	Sumgait (Azerbaijan)	100.00	0.00
BASF Chem Products FC LLC	Taschkent (Uzbekistan)	100.00	0.00
BASF China Limited	Hong Kong (China)	100.00	0.00
BASF Coatings + Inks Philippines Inc.	Makati (Philippines)	100.00	0.00
BASF Colors & Effects India Private Limited	Mumbai (India)	100.00	0.00
BASF Construction Chemicals (Sichuan) Co. Ltd.	Qinglong (China)	100.00	0.00
BASF Construction Chemicals Ltd.	Erbil (Iraq)	50.40	0.00
BASF Grameen Ltd.	Dhaka (Bangladesh)	99.50	99.50
BASF International Trading (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00
BASF Lanka (Private) Limited	Colombo (Sri Lanka)	100.00	99.99
BASF Myanmar Ltd.	Yangon (Myanmar)	100.00	0.00
BASF Myanmar Manufacturing Co., Ltd.	Rangun (Myanmar)	100.00	0.00
BASF Pakistan (Pvt.) Limited	Karachi (Pakistan)	100.00	100.00
BASF Performance Polyamides Japan Ltd.	Tokyo (Japan)	100.00	0.00
BASF Philippines, Inc.	Taguig (Philippines)	100.00	100.00
BASF See Sen Sdn. Bhd.	Kemaman (Malaysia)	70.00	70.00
BASF Venture Capital (Shanghai) Co. Ltd.	Shanghai (China)	100.00	0.00
BNC Color Techno Co., Ltd.	Kanagawa (Japan)	100.00	0.00
Doobon Fine Chemical Co. Ltd.	Cheongju (South Korea)	63.00	0.00
Foshan Chemetall Surface Treatment Co.	Foshan (China)	57.00	0.00
MB Solutions Australia Pty Ltd	Southbank (Australia)	100.00	0.00
Rolic Technologies (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00
Shanghai MBT & SCG High-Tech Construction Chemical Co. Ltd.	Shanghai (China)	60.00	0.00
Pozzolith Solutions Ltd.	Chigasaki (Japan)	60.00	0.00

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
<b>South America, Africa, Middle East</b>			
BASF Agricultural Solutions Argentina SAU	Buenos Aires (Argentina)	100.00	0.00
BASF Agricultural Specialities (PTY) Ltd.	Mariannhill (South Africa)	100.00	0.00
BASF Bolivia S.R.L.	Santa Cruz de la Sierra (Bolivia)	100.00	99.00
BASF Coatings (Pty.) Ltd.	Johannesburg (South Africa)	70.00	0.00
BASF Colors and Effects FZE	Dubai (United Arab Emirates)	100.00	0.00
BASF Construction Chemicals ORIA FZE	Dubai (United Arab Emirates)	100.00	0.00
BASF Construction Chemicals Pars Company (PJS)	Teheran (Iran)	100.00	0.00
BASF East Africa Ltd.	Nairobi (Kenya)	100.00	100.00
BASF Ecuatoriana S.A.	Quito (Ecuador)	100.00	99.97
BASF Egypt LLC	Cairo (Egypt)	100.00	49.00
BASF Iran (PJS) Company	Teheran (Iran)	100.00	0.00
BASF Ivory Coast	Abidjan (Ivory Coast)	100.00	0.00
BASF Ltd.	Cairo (Egypt)	100.00	99.18
BASF Maroc S.A.	Casablanca (Morocco)	100.00	99.96
BASF Middle East Chemicals LLC	Abu Dhabi (United Arab Emirates)	75.00	0.00
BASF OPERATIONS LFTZ ENTERPRISE	Lagos (Nigeria)	0.00	0.00
BASF Paraguay S.A.	Asunción (Paraguay)	100.00	99.99
BASF Saudi Arabia Limited Company	Al Dammam (Saudi Arabia)	75.00	0.00
BASF SpA	Algiers (Algeria)	100.00	100.00
BASF Tanzania Limited	Ward Msasani (Tanzania)	100.00	0.00
BASF Venezolana S.A.	Caracas (Venezuela)	100.00	100.00
BASF West Africa Ltd.	Lagos (Nigeria)	100.00	0.00
BASF Zambia Limited	Lusaka (Zambia)	100.00	0.00
Engelhard (South Africa) (Pty.) Ltd.	Port Elizabeth (South Africa)	70.00	0.00
Jordanian Swiss Company for Manufacturing & Marketing Construction Chemicals Ltd.	Amman (Jordan)	80.00	0.00
Master Builders Solutions Maroc S.A.R.L.	Casablanca (Morocco)	100.00	0.00
MB Construction Chemicals Solutions Nigeria Limited	Lagos (Nigeria)	100.00	0.00
MB Solutions Kenya Ltd	Nairobi (Kenya)	100.00	0.00
Medag Indústria de Soluções Químicas Ltda.	Manaus (Brazil)	100.00	0.00
Nunhems Ethiopia PLC	Addis Abeba (Ethiopia)	100.00	0.00
Wintershall BM-C-10 Ltda.	Rio de Janeiro (Brazil)	99.99	0.00

**Associated companies not accounted for using the equity method due to immateriality**

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
<b>Germany</b>			
ARG Verwaltungs GmbH	Duisburg	20.00	20.00
Aurentum Innovationstechnologien GmbH	Mainz	48.20	0.00
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH	Berlin	25.00	25.00
GAG Ludwigshafen am Rhein AG für Wohnungs-, Gewerbe- und Städtebau	Ludwigshafen (Rhein)	30.00	0.00
Infra Leuna Beteiligungs GmbH	Leuna	27.00	0.00
InnovationLab GmbH	Heidelberg	48.00	48.00
KTL Kombi-Terminal Ludwigshafen GmbH	Ludwigshafen (Rhein)	40.00	40.00

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
<b>Rest of Europe</b>			
ARA Kaisten AG	Kaisten (Switzerland)	25.00	0.00
B2B Cosmetics	La Seyne-Sur-Mer (France)	25.02	0.00
bci Betriebs-AG	Basel (Switzerland)	42.54	0.00
Combi Terminal Catalonia Sociedad Limitada	Tarragona (Spain)	25.00	0.00
Combinant N.V.	Antwerp (Belgium)	45.00	0.00
CSEBER Nonprofit Közhasznú Kft.	Budapest (Hungary)	22.72	0.00
ecoRobotix SA	Yverdon-les-Bains (Switzerland)	20.50	0.00
Industriefeuerwehr Regio Basel AG (IFRB)	Muttenz (Switzerland)	33.33	0.00
siHealth Ltd	Oxfordshire (United Kingdom)	24.90	0.00
<b>North America</b>			
Buckeye Products Pipeline LP	Houston, Texas (USA)	22.00	0.00
Gulf Coast Pipeline LP	Houston, Texas (USA)	22.00	0.00
Sion Power Corporation	Tucson, Arizona (USA)	20.00	0.00
Splice Sleeve North America, Inc.	Livonia, Michigan (USA)	32.50	0.00
<b>Asia Pacific</b>			
Nihon Splice Sleeve Ltd.	Tokyo (Japan)	32.50	0.00
Nisso BASF Agro Co., Ltd.	Tokyo (Japan)	45.00	45.00
Santoku BASF Pte. Ltd.	Singapore (Singapore)	49.00	49.00
<b>South America, Africa, Middle East</b>			
BASF Construction Chemicals LLC	Maskat (Oman)	34.30	0.00
BASF Kanoo Polyurethanes LLC	Dubai (United Arab Emirates)	49.00	0.00
BASF Trading Egypt (SAE)	Cairo (Egypt)	48.00	0.00
BASF Tunisie S.A.	Tunis (Tunisia)	49.00	48.56

**Joint ventures not accounted for using the equity method due to immateriality**

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
<b>Germany</b>			
KARANTO Corrosion Protection Technologies GmbH	Düsseldorf	50.00	0.00
Succinity GmbH	Ludwigshafen (Rhein)	50.00	50.00
<b>Rest of Europe</b>			
BASF DOW HPPO B.V.	Hoek (Netherlands)	50.00	0.00
BASF DOW HPPO Technology B.V.	Hoek (Netherlands)	50.00	0.00
Ellba B.V.	Arnhem (Netherlands)	50.00	0.00
OOO Elastokam	Nischnekamsk (Russian Federation)	50.00	0.00
TAPP A.I.E. Terminal de Atrake de Productos Petroquimicos	Tarragona (Spain)	50.00	0.00
<b>North America</b>			
Bulky Inc.	Calgary (Canada)	50.00	0.00
Fort Amanda Specialties LLC	Lima, Ohio (USA)	50.00	0.00

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
<b>Asia Pacific</b>			
Pigment Manufacturers of Australia Ltd.	Laverton (Australia)	50.00	0.00
<b>South America, Africa, Middle East</b>			
BASF Middle East LLC	Dubai (United Arab Emirates)	75.00	75.00

#### Participating interests between 5% and 20% in major corporations

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Asia Pacific</b>						
Chemipro Kasei Kaisha, Ltd.	Kobe (Japan)	7.64	0.00	4,334.0 <sup>10</sup>	62.0 <sup>10</sup>	JPY
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Zhuhai (China)	10.00	0.00	459.3 <sup>10</sup>	29.1 <sup>10</sup>	CNY

### III. Information on subsidiaries

The German subsidiaries listed below, which have the legal form of either a corporation or a partnership, make use of the exemptions provided by section 264(3) or section 264b of the German Commercial Code (HGB):

Company	Headquarters
BASF Agricultural Solutions GmbH	Ludwigshafen (Rhein)
BASF Agro Trademarks GmbH	Ludwigshafen (Rhein)
BASF Akquisitions GmbH	Ludwigshafen (Rhein)
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen (Rhein)
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)
BASF Business Services GmbH	Ludwigshafen (Rhein)
BASF Catalysts Germany GmbH	Hannover
BASF Coatings GmbH	Münster
BASF Construction Solutions GmbH	Trostberg
BASF Construction Additives GmbH	Trostberg
BASF Grenzach GmbH	Grenzach-Wyhlen
BASF Handels- und Exportgesellschaft mbH	Ludwigshafen (Rhein)
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhein)
BASF Lampertheim GmbH	Lampertheim
BASF Leuna GmbH	Leuna
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)
BASF New Business GmbH	Ludwigshafen (Rhein)
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen (Rhein)
BASF Performance Polymers GmbH	Rudolstadt
BASF Personal Care and Nutrition GmbH	Monheim
BASF Plant Science Company GmbH	Ludwigshafen (Rhein)
BASF Plant Science GmbH	Ludwigshafen (Rhein)
BASF Polyurethanes GmbH	Lemförde
BASF Services Europe GmbH	Berlin
BASF Trostberger Grundbesitz GmbH	Ludwigshafen (Rhein)

<sup>10</sup> Financial Statements for the fiscal year from January 1, 2018, to December 31, 2018

Company	Headquarters
BASF US Verwaltung GmbH	Ludwigshafen (Rhein)
BASF watertechnologies GmbH & Co. KG	Ludwigshafen (Rhein)
BASF Wohnen + Bauen GmbH	Ludwigshafen (Rhein)
BASF Wolman GmbH	Sinzheim
BTC Europe GmbH	Monheim
CerTho Produktions GmbH	Unna
Chemetall GmbH	Frankfurt (Main)
Cognis Holding GmbH	Ludwigshafen (Rhein)
Cognis International GmbH	Monheim
Construction Research & Technology GmbH	Trostberg
Grünau Illertissen GmbH	Illertissen
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhein)
Hild Samen GmbH	Marbach
hte GmbH the high throughput experimentation company	Heidelberg
PCI Augsburg GmbH	Augsburg
trinamIX GmbH	Ludwigshafen (Rhein)

Disclosures on BASF SE's position as a shareholder with unlimited liability pursuant to section 285 no. 11a HGB

Company	Headquarters
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)

In accordance with the requirements of section 357 of the Republic of Ireland Companies Act of 2014, BASF SE provides irrevocable guarantees for all amounts shown as liabilities in the financial statements of the subsidiary shown below. This subsidiary is thereby exempted from disclosure obligations as per section 347 of the Companies Act of 2014.

Company	Headquarters
BASF Ireland Limited	Dublin (Ireland)

Ludwigshafen am Rhein, February 25, 2020

The Board of Executive Directors



## Assurance Pursuant to Sections 264(2) and 289(1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting rules, the Financial Statements of BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and Management's Report of BASF SE includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of BASF SE.

Ludwigshafen am Rhein, February 25, 2020



**Dr. Martin Bruder Müller**  
Chairman of the Board of Executive Directors  
and Chief Technology Officer



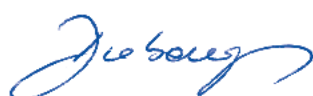
**Michael Heinz**



**Dr. Hans-Ulrich Engel**  
Vice Chairman of the Board of Executive Directors  
and Chief Financial Officer



**Dr. Markus Kamieth**



**Saori Dubourg**



**Wayne T. Smith**

## Independent Auditor's Report<sup>1</sup>

To BASF SE, Ludwigshafen am Rhein

### Report on the Audit of the Annual Financial Statements and of the Management Report

#### Opinions

We have audited the Annual Financial Statements of BASF SE, Ludwigshafen am Rhein, which comprise the balance sheet as at December 31, 2019 and the statement of income for the financial year from January 1, 2019 to December 31, 2019 and the Notes to the Financial Statements, including the recognition and measurement policies presented therein. In addition, we have audited the Management Report of BASF SE for the financial year from January 1, 2019 to December 31, 2019. In accordance with German legal requirements, we have not audited those parts of the Management Report which are described in the section "Other Information" of our auditor's report.

The Management Report contains cross-references which are not intended to use by law and are identified as unaudited. In accordance with German legal requirements, we have not audited the content of those cross-references and the related referenced information.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Annual Financial Statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2019 and of its financial performance for the financial year from January 1, 2019 to December 31, 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying Management Report as a whole provides an appropriate view of the company's position. In all material respects, this Management Report is consistent with the Annual Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Management Report does not cover the content of those parts of the Management Report which are described in the section "Other Information" of our auditor's report. The Management Report contains cross-references which are not legally required and are identified as unaudited. Our opinion does not cover those cross-references and the related referenced information.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the Annual Financial Statements and of the Management Report.

#### Basis for the Opinions

We conducted our audit of the Annual Financial Statements and of the Management Report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Annual Financial Statements and on the Management Report.

#### Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Financial Statements for the financial year from January 1, 2019 to December 31, 2019. These matters were addressed in the context of our audit of the Annual Financial Statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### Recoverability of shares in affiliated companies and shares in other companies

For information on the accounting principles applied, please refer to Note 1 to the Annual Financial Statements. The development of long-term financial assets is presented in Note 10.

#### The Financial Statement Risk

In the Annual Financial Statements of BASF SE as of December 31, 2019, shares in affiliated companies in the amount of €20,754 million and shares in other companies in the amount of €228 million are presented under long-term financial assets in the balance sheet. This represents 38.0% of the balance sheet total resulting in a significant influence on the company's financial position.

Long-term financial assets are generally recognized at acquisition cost in the Annual Financial Statements prepared in accordance with German commercial law. If the fair value on the reporting date falls below acquisition cost, an impairment must be recognized if the reduction in value is expected to be permanent. The company uses the discounted cash flow method to calculate the fair value. If the reasons for impairment no longer exists, the impairment is reversed to cost.

<sup>1</sup> This is a translation of the German original. Solely the original text in German language is authoritative.

The cash flows utilized for the discounted cash flow method are based on entity specific projections for the upcoming five years, which are updated in line with the assumed long-term growth rates. The country-specific cost of capital is calculated using the return on an alternative investment with a comparable risk level and term.

In the financial year BASF SE has recognized impairments on shares in affiliated and other companies in the amount of €49 million. There have been no reversals of impairments.

Impairment testing including the calculation of fair value in accordance with the discounted cash flow method is complex and, in terms of the assumptions made, heavily dependent on the company's estimates and judgments. This applies among other things to the estimates of future cash flows and long-term growth rates as well as the calculation of the cost of capital rates.

There is the risk for the Annual Financial Statements that the shares in affiliated companies and the shares in other companies have not been measured correctly.

#### **Our Audit Approach**

In a first step, we evaluated the design and implementation of the controls established by BASF to identify and calculate the need for impairment and reversal of impairment. We examined in detail the approach used by the company to determine a need for impairment and, using the information gained in our audit, assessed whether there are indications of a need for impairment or reversal of impairment not identified by the company.

With respect to the valuation model, we assessed whether the valuation methods are consistent with the relevant valuation principles and the formulas used in the calculation files were applied correctly from a mathematical perspective. We satisfied ourselves of the methodological correctness of the calculation and the appropriateness of the weighted cost of capital rates used. To this end, we calculated our own expected values for the assumptions and parameters underlying the weighted cost of capital rates (e.g., risk-free rate, market risk premium, beta factor) and compared these with the assumptions and parameters used. The audit team was supported by our company valuation specialists.

We also assessed whether the cash flow planning underlying the valuation is based on appropriate and reasonable assumptions. To this end, we had the company or persons nominated by it at affiliated companies explain these assumptions and evaluated the effect of strategic and operating measures on cash flow planning. We examined the long-term earnings forecasts and growth rates using industry and economic studies to determine whether the assumptions in the measurements are appropriate. In selected cases, we assessed the quality of planning by comparing planning in the past with actual annual results. Finally, we discussed the results of valuations with BASF and verified the accounting treatment of these results based on the company's calculations.

For investments intended for sale we reconciled the purchase price on which the valuation is based to the contractual arrangements.

#### **Our Observations**

The approach used by BASF to test shareholdings for impairment (including the valuation model) is appropriate and consistent with the valuation principles. Overall, the assumptions and assessments underlying the company's calculations are appropriate.

#### **Measurement of pension obligations and plan assets**

For information on the accounting principles applied, please refer to Note 1 to the financial statements. The underlying assumptions used in the measurement of pension obligations are described in Note 17.

#### **The Financial Statement Risk**

As of December 31, 2019, BASF SE's pension obligations amounted to €5,853 million. The fair value of the plan assets was €6,003 million. Overall, the pension obligations covered by assets resulted in a positive financing position of €206 million as of December 31, 2019, which is reported as an asset from the overfunding of pension obligations. In addition, the obligations not covered by assets amounting to €56 million are reported as a provision for pensions and similar obligations.

Provisions for pension-related obligations are recognized based on reasonable commercial judgment of the amount needed to meet these obligations.

BASF SE uses the internationally accepted projected unit credit method as the actuarial method for calculating the amount needed to meet obligations based on reasonable commercial judgment. BASF uses an external actuary here. The assumptions applied in the process are determined by BASF SE. The company assumed a salary growth of 2.75% and a projected pension increase of 1.50% for the calculation as of December 31, 2019. With regard to mortality and invalidity expectations, BASF used the modified 2018 G mortality tables by Prof. Dr. Klaus Heubeck.

Assets that serve as plan assets are measured at fair value. The fair values of plan assets generally correspond to the market price. If no active market exists, this gives rise to uncertainty or discretionary scope in the measurement of the plan assets.

The actuarial calculation of pension obligations is characterized by estimation uncertainty about the assumptions applied, particularly the projected pension increase.

There is the risk for the Annual Financial Statements that pension obligations and plan assets have not been measured correctly. In addition, there is also the risk that the Notes to the Annual Financial Statements do not contain the required disclosures on the assumptions underlying the valuation.

### Our Audit Approach

In a first step, we assessed the design, implementation and effectiveness of the internal controls established by the company to communicate financial information relevant for the valuation, particularly the underlying data of the human resources system, to the actuary.

We assessed whether the actuarial calculation methods used are permissible. In the assessment of the assumptions and the calculation methods used, the audit team was supported by our actuarial specialists. Our actuaries also satisfied themselves of the competence, the expertise and the objectivity of the actuary engaged by BASF and evaluated the results of their work. Our audit procedures included, among others, an assessment of the appropriateness of the assumptions used as well as a comparison of the discount rate used with the interest rate published by Deutsche Bundesbank. In addition, we verified the mathematical accuracy of the resulting obligations based on a sample of specific pension commitments.

For the assessment of the fair values of plan assets, we had access to, in particular, bank confirmations and capital statements of the banks managing the funds. We also took a representative sample to compare the closing rates of the shares and bonds included in the special funds with external market data. For non-listed investments, we additionally evaluated the design, implementation and effectiveness of the internal controls established by the company to assess the valuation process for these investments.

Furthermore, we assessed whether the Notes to the Annual Financial Statements contained the required disclosures on the assumptions underlying the valuation.

### Our Observations

The methods used by BASF to measure pension obligations are appropriate and consistent with the valuation principles to be applied under the German Commercial Code (HGB). Overall, the assumptions underlying the valuation of the pension obligations and the plan assets are appropriate. The Notes to the Annual Financial Statements contain the required disclosures on the assumptions underlying the valuation.

### Measurement of tax provisions

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For information on the accounting principles applied, please refer to Note 1 to the financial statements. Disclosures on income taxes can be found in Note 6.

### The Financial Statement Risk

BASF SE has business activities in various jurisdictions with different legal regulations. A provision in the amount of €346 million was recognized as of December 31, 2019 for current taxes and risks arising from tax audits.

The application of tax regulations is complex and has risks associated with it. The determination of tax liabilities makes it necessary for BASF SE to apply judgment in the assessment of tax matters and that estimates be made with respect to tax risks.

There is the risk for the Annual Financial Statements that the provisions for taxes are over- or understated.

### Our Audit Approach

We integrated our own tax specialists in the audit team to evaluate the tax calculation prepared and the risk assessment performed by BASF SE.

We assessed the assumptions made by BASF SE to calculate tax provisions based on our knowledge and experience of the current application of the relevant regulatory requirements by government authorities and the courts, and checked the calculation of tax provisions for mathematical correctness. In discussions with employees in the tax department of BASF SE, we obtained an understanding as to the existing tax risks. In addition, we evaluated correspondence with the responsible fiscal authorities on the main matters.

### Our Observations

The approach and assumptions made by BASF SE in the determination of tax provisions are appropriate.

## Other Information

The Board of Executive Directors and the Supervisory Board are responsible for the other information. The other information comprises:

- the non-financial statement, included in section “Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB)” of the Management Report,
- the corporate governance statement, included in section “Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)” of the Management Report, and
- the information extraneous to management reports and marked as unaudited.

Other Information also includes the remaining parts of the BASF SE Report.

The other information does not include the Annual Financial Statements, the audited parts of the Management Report and our auditor’s report.

Our opinions on the Annual Financial Statements and on the Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Annual Financial Statements, with the Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### Responsibilities of the Board of Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The Board of Executive Directors is responsible for the preparation of the Annual Financial Statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the Board of Executive Directors is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Board of Executive Directors is responsible for assessing the company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Board of Executive Directors is responsible for the preparation of the Management Report that as a whole provides an appropriate view of the company’s position and is, in all material respects, consistent with the Annual Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Executive Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Management Report.

The Supervisory Board is responsible for overseeing the company’s financial reporting process for the preparation of the Annual Financial Statements and of the Management Report.

### Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Management Report as a whole provides an appropriate view of the company’s position and, in all material respects, is consistent with the Annual Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the Annual Financial Statements and on the Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements and this Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements and of the Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the Annual Financial Statements and of arrangements and measures (systems) relevant to the audit of the Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the Board of Executive Directors and the reasonableness of estimates made by the Board of Executive Directors and related disclosures.
- Conclude on the appropriateness of the Board of Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Annual Financial Statements and in the Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements present the underlying

transactions and events in a manner that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the Management Report with the Annual Financial Statements, its conformity with German law, and the view of the company's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Executive Directors in the Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Annual Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

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### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 3, 2019. We were engaged by the Supervisory Board on July 18, 2019. We have been the auditor of BASF SE without interruption since the financial year 2006.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### German Public Auditor Responsible for the Engagement

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The German Public Auditor responsible for the engagement is Dr. Stephanie Dietz.

Frankfurt am Main, February 25, 2020

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

#### Sailer

Wirtschaftsprüfer  
[German Public Auditor]

#### Dr. Dietz

Wirtschaftsprüferin  
[German Public Auditor]



**Further information****Published on February 28, 2020**

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