

# **BASF SE**

# **Financial Statements 2021**

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

## Organization of the BASF Group

We have 11 divisions grouped into six segments:

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

The divisions bear strategic and operational responsibility here and are organized according to sectors or products. They manage the 50 global and regional business units and develop strategies for 75 strategic business units. BASF has companies in 90 countries. The BASF Group operates six Verbund sites and 232 additional production sites worldwide.

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

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

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

BASF SE had 34,405 employees on December 31, 2021, of which 4,093 in research and development.

BASF holds one of the top three market positions in around 80% of the business areas in which it is active.<sup>2</sup> Our most important global competitors include Arkema, Bayer, Clariant, Corteva, Covestro, Dow, Dupont, DSM, Evonik, Huntsman, Lanxess, SABIC, Sinopec, Solvay, Sumitomo Chemical, Syngenta, Wanhua and many hundreds of local and regional competitors.

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 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.

## Accounting principles

The Financial Statements of BASF SE are prepared in accordance with the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and the applicable regulations for public limited-liability companies in the Member State in which it has its registered office, i.e., in accordance with the accounting regulations for the fiscal year ending December 31, 2021, in particular the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

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

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

## 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 39 and are a part of the Management's Report. Within the scope of the audit of the annual financial statements, KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a limited assurance of the NFS. An assurance statement of the limited assurance can be found online at [basf.com/nfs-audit-2021/basf-se](https://basf.com/nfs-audit-2021/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.

## 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 50 to 60 (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.

## Compensation Report

The Compensation Report is no longer a component of the Management's Report. The Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) and the assurance statement of the substantive and formal audit issued by the auditor have been made publicly available on the BASF website at [basf.com/compensationreport](https://basf.com/compensationreport).

## Economic Environment<sup>1</sup>

The global economy recovered more quickly in 2021 from the previous year's severe slump in economic activity than had been expected at the beginning of the year. Many governments' aid programs and rising vaccination rates were key contributing factors to the recovery. Nevertheless, the economic upturn was repeatedly hampered by measures to contain the pandemic and supply chain disruptions. Global gross domestic product (GDP) grew by 5.8% year on year (2020: -3.4%). Industrial production expanded by 6.5% (2020: -3.0%). Global chemical production grew by 6.1% (2020: -0.1%). The average price for a barrel of Brent crude oil increased to \$71 per barrel (2020: \$42 per barrel).

Global industrial production grew by 6.5% in 2021 (2020: -3.0%). The advanced economies saw somewhat lower growth of 5.3% overall than the emerging markets, which saw a rise of 7.4%. The largest contribution to global industrial production growth came from China (2021: +8.4%; 2020: +3.7%). Around 30% of global industrial value creation and almost 40% of its growth were generated there. In total, over 50% of global industrial growth came from Asia. The region's production expanded by 7.5% in 2021 (2020: -0.1%).

In the E.U., industrial production also increased significantly by 6.6% (2020: -7.1%). After the sharp decline in the previous year, the United Kingdom saw growth of 8.3% (2020: -10.4%). By contrast, North America's industrial growth was below average at 5.0% (2020: -4.8%). South America recorded an increase just above the global average (2021: 7.0%; 2020: -6.5%).

Global growth in the chemical industry was 6.1% in 2021, almost as high as growth for the industry as a whole, despite only a minimal decline in chemical production in the previous year unlike in many other industries. While the stronger performance in the previous year had mainly been due to extraordinary pandemic-related demand for disinfectants, cleaning agents and single-use plastics, as well as to the early recovery in China, in 2021, the global upswing in many consumer goods industries contributed to growth.

Chemical production in China, the world's largest chemical market, saw especially strong expansion (+7.7%). However, growth slowed at a high level during the course of the year. Electricity cuts had a negative effect on production, particularly in the third and fourth quarters. Growth in other emerging markets of Asia was also high at around 6.9%.

Chemical production growth in the European Union was also extraordinarily high at 6.0%. A contributing factor was the low basis in the previous year (2020: -2.1%). In addition, the European chemical industry benefited from the fact that availability of global production capacities for basic chemicals was intermittently limited. The Middle East (+6.2%) also recorded solid production growth.

By contrast, significant petrochemical capacities were temporarily unavailable in the United States, in particular. After the cold spell in the first quarter, production on the U.S. Gulf Coast was negatively impacted by hurricanes Ida and Nicholas as well. In total, production in the United States thus only grew by 1.8% in 2021. Chemical production in South America increased by 4.6%.

<sup>1</sup> All information relating to past years in this section can deviate from the previous year's report due to statistic revisions. Where available, macroeconomic growth rates are adjusted for calendar effects. Figures for 2021 not yet available in full are estimated.

## Business Development

<b>Results of operations</b>		
Million €		
	2021	2020
<b>Sales revenue</b>	<b>25,041</b>	<b>19,915</b>
<b>Gross profit on sales</b>	<b>3,982</b>	<b>2,950</b>
<b>Income from operations (EBIT)</b>	<b>-517</b>	<b>-1,780</b>
Income from shareholdings	3,909	5,704
Interest result	24	-649
Other financial result	79	40
<b>Financial result</b>	<b>4,012</b>	<b>5,095</b>
<b>Income before income taxes</b>	<b>3,495</b>	<b>3,315</b>
<b>Net income</b>	<b>3,928</b>	<b>3,946</b>

<b>Sales revenue</b>		
Million €		
Regions	2021	2020
Europe	18,049	14,082
of which Germany	6,598	4,831
North America	1,932	1,652
Asia Pacific	2,897	2,552
South America, Africa, Middle East	1,803	1,629
	<b>25,041</b>	<b>19,915</b>

### Sales revenue and gross profit on sales

BASF SE's sales rose by 25.7% year on year to €25,041 million in 2021, exceeding our forecast of a slight increase in sales. In an environment that continued to be dominated by the coronavirus pandemic, sales rose in the operating business due mainly to higher sales prices. Positive earnings contributions from higher plant capacity utilization were partially offset by the effects of higher prices for raw materials and energy, and inventory valuation. Gross profit on sales, which was additionally impacted by impairments of €693 million on property, plant and equipment in the previous year, rose by €1,032 million to €3,982 million.

### Income from operations

Income from operations rose by €1,263 million to –€517 million, confirming our prior-year forecast of a considerable year-on-year increase. In the reporting year, income from operations was negatively impacted overall by higher variable compensation and higher expenses for pension obligations. Selling expenses increased by €97 million, largely from higher freight costs. Administrative costs were €88 million above the prior-year level. In addition, research expenses rose by €117 million, mainly as a result of higher spending in the operating divisions. The balance of other operating income and expenses improved by €533 million compared with the previous year to –€594 million. Income from portfolio measures increased by €166 million year on year. In addition, out-of-period income rose by

€130 million, primarily due to the reversal of provisions. Furthermore, expenses for restructuring measures in connection with the implementation of the corporate strategy declined by around €146 million and expenses in connection with the coronavirus pandemic decreased by €130 million compared with the prior year. The foreign currency result improved by €18 million in the reporting year. This was partially offset by contributions to provisions for share price-based variable compensation (LTI programs), which rose by €8 million.

### Financial result

The financial result declined by €1,083 million to €4,012 million. The decrease in income from shareholdings was mainly due to lower dividends from affiliated companies. Higher profit transfers and lower loss transfers compared with the previous year had an offsetting effect. The increase in the interest result was attributable to higher income from plan assets.

### Income before income taxes

Income before income taxes rose by €180 million year on year to €3,495 million. Income from income taxes declined by €198 million to –€433 million in the reporting year. The change in deferred tax assets and liabilities reduced income by €296 million in the year under review. By contrast, current income tax expenses decreased by €98 million.

### Net income

Net income declined by €18 million compared with the previous year to €3,928 million in 2021.

## Net assets and financial position

	2021		2020	
	Million €	%	Million €	%
Fixed assets	27,783	44.6	26,720	48.2
Current assets and other assets	34,457	55.4	28,726	51.8
<b>Total assets</b>	<b>62,240</b>	<b>100.0</b>	<b>55,446</b>	<b>100.0</b>
Equity	20,111	32.3	19,213	34.7
Provisions	2,085	3.4	1,899	3.4
Liabilities and other liabilities	40,044	64.3	34,334	61.9
<b>Total equity and liabilities</b>	<b>62,240</b>	<b>100.0</b>	<b>55,446</b>	<b>100.0</b>

### Net assets

Total assets rose by €6,794 million or 12.3% to €62,240 million.

The €1,063 million increase in fixed assets was primarily attributable to financial assets, which rose by €1,302 million as a result of the acquisition of an interest in BASF Shanshan Battery Materials Co., Ltd., Changsha, China, as well as a capital increase at a subsidiary in connection with the acquisition of an interest in Vattenfall's Hollandse Kust Zuid offshore wind farm. This was partially offset by the €244 million decrease in intangible assets, mainly due to amortization. Fixed assets were on a level with the previous year, with investments slightly exceeding depreciation.

Current assets and other assets increased by €5,731 million. Receivables from affiliated companies rose by €6,210 million, mainly due to financial investments within the Group. Inventories increased by €669 million, trade accounts receivable by €452 million and deferred tax assets by €411 million. By contrast, liquid funds declined by €1,932 million and the excess of plan assets over obligations decreased by €232 million.

The €898 million increase in equity was mainly due to the net income of €3,928 million, which exceeded the dividends paid for the 2020 fiscal year (€3,031 million).

Provisions rose by €186 million. Within this item, other provisions increased by €433 million, primarily as a result of higher provisions for variable compensation. The €270 million decrease in provisions for taxes had an offsetting effect.

Liabilities and other liabilities rose by €5,710 million. Within this item, liabilities to affiliated companies increased by €7,408 million due mainly to intragroup borrowing. Trade accounts payable were €495 million higher. By contrast, financial indebtedness declined by a total of €2,170 million following the repayment of commercial paper, bank loans and a bond.

## Financial position

Operating activities generated cash of €3,077 million in the 2021 reporting year (previous year: €5,817 million). The decrease largely resulted from significantly higher inventories and receivables, while net income was roughly the same as in the previous year at €3,928 million (previous year: €3,946 million). In addition, high levels of non-cash-effective impairment were recognized in the previous year.

Cash used in investing activities amounted to €6,769 million (previous year: €432 million). Investments in financial assets mainly related to the acquisition of the interest in BASF Shanshan Battery Materials Co., Ltd., Changsha, China, and the financing of the acquisition of an interest in Vattenfall's Hollandse Kust Zuid offshore wind farm. Furthermore, financial investments within the Group rose significantly.

Financing activities led to a cash inflow of €1,760 million (previous year: outflow of €3,886 million). Intragroup borrowing exceeded the dividend payment and repayment of financial debt.

BASF SE also entered into long-term purchase obligations of €1,119 million in 2021 from an energy supply agreement.

In total, liquid funds declined by €1,932 million to €537 million. These comprise cash on hand and balances with banks.

## Principles and objectives of our financial management

Our financing policy aims to ensure our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our external financing needs on the international capital markets.

We strive to maintain a solid A rating, which ensures unrestricted access to financial and capital markets. Financing measures are based on planning for the operating business and the company's strategic alignment, and also aim to ensure financial flexibility for the use of strategic options.

BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. Standard & Poor's most recently confirmed its rating for BASF of A/A-1/outlook stable on January 6, 2022. Moody's most recently confirmed BASF's A3/P-2/outlook stable rating on January 5, 2022. Fitch's rating of A/F1/outlook stable from June 11, 2021, also remained unchanged.

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 with a volume of €20 billion. The goal is to create a balanced maturity profile, diversify our investor base and optimize our debt capital financing conditions.

For short-term financing, we use BASF SE's global commercial paper program, which has an issuing volume of up to \$12.5 billion. As of December 31, 2021, commercial paper with a carrying amount of €248 million was outstanding under this program. A firmly committed, syndicated credit line of €6 billion with a term until 2026 serves to cover the repayment of outstanding commercial paper. It can also be used for general company purposes. Neither this credit line nor the €3 billion short-term credit line that expired in the second quarter of 2021 were used at any point in 2021. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

## Digitalization and Innovation

### Digitalization

We want to leverage the diverse growth potential of digitalization and seize the associated opportunities to the benefit of our customers. To achieve this, we promote digital skills among our employees, cooperate with partners and make digital technologies and ways of working an integral part of our business. Digitalizing our plants and systematically analyzing data enables us to further automate processes and in this way, increase the capacity, availability and efficiency of our plants, for example with predictive maintenance. Linking data from different sources and using artificial intelligence for smart data analysis opens up numerous opportunities for us to manage our business more efficiently and improve our processes, for example in logistics. The combination of products, services and digital offerings also opens up new business models and advantages for our customers, such as in agriculture or 3D printing. In addition, digitalization enables us to further strengthen our innovative power. BASF has one of the most powerful supercomputers in the chemical industry – Curiosity. It can be used to significantly accelerate complex computational processes such as the simulation of molecules, enabling new chemical products to be developed more quickly, for example. At the same time, we are already working on groundbreaking technologies such as quantum computing, including as a founding member of the Quantum Technology and Application Consortium (QUTAC) industry consortium launched in 2021.<sup>1</sup>

### Innovation

Protecting our climate and making the best use of limited natural resources while supplying the fast-growing global population with food, energy and clean water are among the greatest challenges of our time. Innovations based on chemistry play a pivotal role in overcoming these. That is why we are working together with our customers on innovative processes, technologies and products for a more sustainable future.

Innovation has always been the key to BASF's success. The knowledge and skills of our highly qualified employees is our most valuable resource here and the source of our innovative strength. BASF SE had 4,093 employees in research and development in 2021. Spending for research and development amounted to €1,357 million.

Our innovation focus is on developing sustainable solutions for our customers. We ensure our long-term competitiveness by helping our customers reduce their carbon footprint, use resources more efficiently, or manufacture products in a more environmentally friendly way and to recycle them, to name a few examples.

Our central research is currently divided into three global divisions, run from Europe, Asia Pacific and North America: Process Research & Chemical Engineering (Ludwigshafen, Germany); Advanced Materials & Systems Research (Shanghai, China); and Bioscience Research (Research Triangle Park, North Carolina).

We have already brought our research and development units closer together over the past few years. We will reorganize our global research activities in 2022 to further strengthen our innovation performance and respond to our customers' industry-specific requirements even better and more quickly going forward. Business and application-driven research units that are currently allocated to the three corporate research divisions will be integrated into the operating divisions, aligning them even more closely with the needs of our customers. The aim is to further shorten the time to market for new products and accelerate BASF's organic growth. Research activities that are relevant to several operating divisions will be bundled in a central research division steered from Ludwigshafen, Germany. This unit will continue to be globally organized with research centers in Europe, North America and Asia Pacific. Together with the development units in our operating divisions, it forms the core of our global Know-How Verbund.

We strengthen existing research focus areas 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> We promote creative and agile research approaches. We are driving forward the development of new business areas. Our innovative solutions help our customers to achieve their sustainability goals.

The Ludwigshafen site in Germany is and will remain the largest in our Research Verbund. Investments there include a combined laboratory building for cleanroom and elemental analysis. The new building's modern digitalization and automation solutions set new standards in safety and efficiency. It is scheduled to open in 2022. In addition, we will build a new Catalyst Development and Solids Processing Center in Ludwigshafen, Germany, by 2024 to bring process innovations and new chemical catalysts to market faster.

The number and quality of our patents also attest to our power of innovation and long-term competitiveness. In 2021, we filed around 820 new patents worldwide. The Patent Asset Index, a method that compares patent portfolios, once again ranked us among the leading companies in the chemical industry in 2021.

Our global network of top universities, research institutes and companies forms an important part of our Know-How Verbund.<sup>1</sup> It gives us direct access to external scientific expertise, talented minds from various disciplines as well as new technologies – and helps us to quickly develop targeted, marketable innovations, strengthen our portfolio with creative new projects, and in this way, reach our growth targets.

<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.

### E.U. Taxonomy

E.U. taxonomy disclosures in accordance with the E.U. Taxonomy Regulation and the supplementary delegated acts are presented in the consolidated nonfinancial statement in the Management's Report for the BASF Group.

## Our Sustainability Concept

**We implement our corporate purpose – We create chemistry for a sustainable future – by systematically incorporating sustainability into our strategy, our business, and into our assessment, steering and compensation systems. We secure our long-term success with products, solutions and technologies that create value added for the environment, society and the economy.**

### Our strategic approach

Sustainability is at the core of what we do and a driver for growth and value. Analyzing our contributions to sustainability also enables us to manage risks effectively. We pursue a holistic sustainability approach that covers the entire value chain – from our suppliers and our own activities to our customers. We have formulated commitments for our conduct along the value chain and underpinned these with corresponding targets and measures.

Based on our corporate strategy and the global targets derived from this, we steer the sustainability targets (reduce absolute CO<sub>2</sub> emissions<sup>1</sup> by 25% by 2030 compared with baseline 2018 and achieve €22 billion in Accelerator<sup>2</sup> sales by 2025) as most important key performance indicators. To this end, we have established the necessary steering mechanisms and control systems at Group level. Our global activities to reduce greenhouse gas emissions include using renewable energies for both electricity and steam production, developing and applying new low-carbon production processes, using renewable raw materials, and ongoing measures to further increase energy and resource efficiency in our production (see page 24). We use the Sustainable Solution Steering method to improve the sustainability contributions of our product portfolio along the value chain (see page 32). To assess the sustainability performance of our products and identify solutions with a substantial sustainability contribution in the value chain, we regularly reassess our product portfolio. We already reached our 2025 sales target for Accelerator products in 2021. Consequently, we will update our product portfolio steering target over the course of 2022.

In addition to the climate protection and Accelerator sales targets, we have set ourselves further sustainability goals. A particular focus is the circular economy due to its strong connection to climate protection. We have defined further targets on water management, responsible procurement, engaged employees, women in leadership positions, occupational health and safety, and process safety.

We have also set up a project organization to achieve our climate protection targets. The new Net Zero Accelerator unit concentrates on implementing and accelerating projects on low-carbon production technologies, the circular economy and renewable energies.

As a co-founder of the U.N. Global Compact and a recognized LEAD company, we contribute to the implementation of the United Nations' Agenda 2030. Our products, solutions and technologies help to achieve the U.N. Sustainable Development Goals (SDGs),

especially SDG 2 (Zero hunger), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). To prioritize these, internal experts assessed the impacts and positive contributions of our products, our corporate targets and strategic action areas. The Value to Society method is used to measure the contribution of our activities along the value chain. This assesses our positive and negative impacts on the environment, society and the economy (see page 9).

We identify key sustainability topics with our comprehensive materiality analysis. Here, we take into account topics that we have an impact on, topics that have an impact on us, and topics that our stakeholders consider important to us. The topics identified based on these three dimensions of materiality are: climate and energy, health and safety / product stewardship, water, emissions to air and soil, resource efficiency and waste, biodiversity, human rights, employment and diversity.

### Our organizational and management structures

We are constantly working to broaden our contributions to key sustainability topics and reduce the negative impact of our business activities. Together with decentrally organized specialists, the Corporate Strategy & Sustainability unit in the Corporate Center is responsible for integrating sustainability into core business activities and decision-making processes. This unit's tasks include the global steering of climate-related matters.

The new Net Zero Accelerator project organization has reported directly to the Chairman of the Board of Executive Directors since January 2022. It focuses on the further acceleration and implementation of existing and new projects to achieve CO<sub>2</sub> reduction targets at company level worldwide and drives them forward.

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

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

<sup>1</sup> The target includes Scope 1 and Scope 2 emissions. Other greenhouse gases are converted into CO<sub>2</sub> equivalents in accordance with the Greenhouse Gas Protocol. In March 2021, the previous target of CO<sub>2</sub>-neutral growth until 2030 (baseline 2018: 21.9 million metric tons of CO<sub>2</sub>e) was replaced with a new, more ambitious climate protection target to reduce absolute CO<sub>2</sub> emissions by 25% compared with 2018 (new target: 16.4 million metric tons of CO<sub>2</sub>e).

<sup>2</sup> Accelerator products make a substantial sustainability contribution in the value chain.

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

In 2018, we established our Sustainable Finance Roundtable, which discusses topics related to sustainable finance. Here, experts from departments such as Finance, Corporate Strategy, Investor Relations and Communications discuss upcoming new legal requirements. The interdisciplinary group analyzes the steadily growing requirements, assesses the impact on BASF and drives forward the necessary change processes as well as the concrete implementation of measures. In a U.N. Global Compact task force, we are developing recommendations on how the SDGs should be considered in financial decisions and in interactions with investors.

🔗 For more information on our risk management, see page 40 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.

## Measuring sustainable value added

We are aware that our business activities can have both positive and negative impacts on the environment and society. We aim to increase our positive contributions and minimize the negative impacts of our business activities. To achieve this, we need to understand how our actions and our products impact society and the environment.

We already have many years of experience in this area from evaluating our products and processes using methods such as Eco-Efficiency Analyses, the SEEbalance® Socio-Eco-Efficiency Analysis, our Sustainable Solution Steering portfolio analysis, BASF's corporate carbon footprint or the calculation of Product Carbon Footprints.

We want to holistically capture the value we contribute to society along the value chain and make this transparent. However, there are still no uniform, global standards for measuring and reporting on companies' overall impact that cover economic, environmental and social aspects of business activities along the value chain. This is why we developed the Value to Society method in 2013 together with external experts. We can use this methodological approach to compare the significance of financial and sustainability-related impacts of our business activities on society and show their interdependencies. The results illustrate the positive contributions and negative effects, both at BASF and in our value chains. Positive factors include taxes paid, wages, social benefits, employee training and our net income.<sup>1</sup> Negative contributions include environmental impacts such as carbon emissions, land use and emissions to air, soil and water, as well as health and safety incidents. The positive impacts of our economic activities declined in 2020,<sup>2</sup> primarily due to the economic conditions caused by the coronavirus pandemic, which led to lower economic value added. In addition, higher water consumption and increased land use in supplier and customer industries had a greater impact on the environment.

Overall, the Value to Society method helps us to continually monitor our progress. It complements existing concepts for assessing risks and business opportunities by providing a macro perspective and enables us to derive the necessary business steps.

We are a founding member of the value balancing alliance e.V. (VBA) and have contributed our knowledge and experience to this cross-industry initiative. We support the development of an accounting and reporting standard that makes the value companies provide to society transparent and comparable. The aim is to present the financial, ecological, and social impacts of business activities on the basis of a standardized framework. The VBA is supported by major auditing firms, the Organisation for Economic Co-operation and Development (OECD), leading universities and other partners. Together with the OECD and the Business for Inclusive Growth (B4IG) coalition, we are pushing to further expand the social indicators. Here, BASF leads the Impact Measurement working group together with partners. Through the VBA, we are involved in the E.U.'s Platform on Sustainable Finance. Together with the VBA and other partners, we supported the establishment of the International Sustainability Standard Board (ISSB), are involved in the work of the World Economic Forum (WEF) and are part of the G7 Impact Taskforce. Our Corporate Finance unit is also involved in the work of the European Financial Reporting Advisory Group's (EFRAG) Project Task Force on European sustainability reporting standards.

The method developed by the VBA was enhanced and refined on the basis of feedback from the scientific community and member companies. Amendments include the addition of two social indicators and the calculation of downstream impacts, as well as revisions to financial indicators, for example. This enhanced method will again

<sup>1</sup> The net income of BASF's production presented in the Value to Society is calculated using the BASF Group's net income, adjusted for the interest result, the other financial result and noncontrolling interests.

<sup>2</sup> Value to Society results are calculated annually following the publication of the BASF Report. Accordingly, the statements on this in the BASF Report 2021 refer to the evaluation conducted for the 2020 business year.

be piloted by all member companies and the results will be fed back to the VBA for further development.

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)

## Our stakeholder management

Our stakeholders include customers, employees, investors, suppliers, the communities surrounding our sites, and representatives from industry, academia, 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 take these questions seriously, initiate dialogs and participate in discussions. Such ongoing exchange with our stakeholders helps us to even better understand what matters to groups of society, what they expect of us and which measures we need to pursue in order to establish and maintain trust, build partnerships, and increase societal acceptance for and the sustainability of our business activities. In doing so, we want to harness potential for mutual value creation and strengthen societal acceptance of our business activities. For important topics, we systematically identify key stakeholders at an early stage to discuss critical questions with them. Relevant considerations here include their topic-specific expertise and willingness to engage in constructive dialog.

We established an external, independent Stakeholder Advisory Council (SAC) in 2013 and the Human Rights Advisory Council (HRAC) in 2020. In the SAC, which is led by the Chairman of the Board of Executive Directors, international experts from academia and society contribute their perspectives to discussions with BASF's Board of Executive Directors. The HRAC is an advisory body comprising external human rights specialists and internal experts. This helps us to critically reflect on our positions and address potential for improvement.

Our political advocacy is conducted in accordance with transparent guidelines and our publicly stated positions. The same applies to our activities in associations. For instance, we again published an Industry Associations Review in 2021 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.

BASF does not financially support political parties, for example through donations in cash or in kind. This is codified in a global guideline. In the United States, employees at BASF Corporation have exercised their right to establish a Political Action Committee (PAC). The BASF Corporation Employee PAC is an independent, federally registered employee association founded in 1998. It collects donations from employees for political purposes and independently decides how these are used, in accordance with U.S. law.

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

For more information on our guidelines for responsible lobbying, see [basf.com/guidelines\\_political\\_communication](https://basf.com/guidelines_political_communication)

For more information on the Industry Associations Review, see [basf.com/corporategovernance](https://basf.com/corporategovernance)

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

For more information on the Stakeholder Advisory Council, see [basf.com/en/stakeholder-advisory-council](https://basf.com/en/stakeholder-advisory-council)

## Responsibility for Human Rights

BASF acknowledges its responsibility to respect internationally recognized human rights. For many years now, we have engaged in constructive dialog on human rights with other companies, non-governmental organizations, international organizations and multi-stakeholder initiatives to better understand different perspectives and address conflicting goals. BASF is a founding member of the U.N. Global Compact and a member of the Global Business Initiative on Human Rights (GBI), a group of globally operating companies from various sectors. The initiative aims to ensure implementation of the U.N. Guiding Principles on Business and Human Rights.

We see human rights due diligence as an important, all-encompassing task that we can only perform by working together as a team throughout the entire organization. That is why we have embedded our responsibility for human rights into our Code of Conduct and set this out in our human rights position. We uphold our standards worldwide, including where they exceed local legal requirements. All employees and leaders are responsible for ensuring that we act in accordance with our Code of Conduct and our human rights position.

We rely on a systematic, integrated, risk-based approach and established monitoring and management systems. BASF is also active in initiatives such as Together for Sustainability (TfS) and Responsible Care®, which promote sustainability in the supply chain (see page 13). Our measures and criteria for monitoring and observing human rights are integrated into supplier assessment processes and our global monitoring systems for environmental protection, safety and security, health protection and product stewardship. They are also part of the evaluation of investment, acquisition and divestiture projects, assessments along the entire product life cycle, and systems to monitor labor and social standards. In addition, aspects of human rights topics are part of the global qualification requirements for our security personnel and are incorporated into agreements with contractors.

Our compliance unit is responsible for steering human rights topics and coordinates the work of the cross-unit Human Rights Expert Working Group, which we established in 2020. In it, employees from specialist units – procurement, legal, HR, environmental protection, health and safety, sustainability strategy, site security, supply chain, communications and government relations – and the operating divisions work closely together. The expert working group provides support and advice in challenging and critical situations, on the development of internal processes, and on the creation of information and training offerings, among other things. This is how we ensure that we approach our human rights responsibility holistically and that we can continually improve our performance.

In 2020, we conducted a comprehensive review of our human rights management system and the related processes. This showed that we have achieved important milestones regarding our due diligence obligations. However, the analysis, which was discussed by the Board of Executive Directors, also identified potential for improvement, for example with regard to awareness of human rights topics within our organization and relating to the integration of these topics in our guidelines and processes.

We therefore launched a global, internal campaign in April 2021 to raise awareness on the topic of human rights. Externally, we were involved in the U.N.'s International Year for the Elimination of Child Labour through two initiatives and together with other partners, and committed to specific joint measures in the fight against child labor. Together with other DAX-listed companies, we also participated in the study "Moving with responsibility toward success: practical implementation of human rights due diligence in 10 companies" commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the German Agency for International Cooperation (GIZ).

We strengthened awareness of our due diligence obligations in procurement by including additional information on human rights topics in training. In addition, the human rights risk assessment is more systematically incorporated into strategy development in our procurement segments (see page 13).

We also further improved our grievance mechanisms and introduced a standardized global external and internal hotline and reporting system in 2021. For example, we expanded the number of languages available. A new website provides information about the hotline and the grievance procedure, and now also offers the option of contacting the company anonymously online in addition to local telephone numbers. Employees can also contact specialists directly via an internal online platform or the corresponding app. The processing status of a submitted report can be tracked anonymously. Moreover, submitted cases will be able to be recorded and evaluated more systematically in the future (see page 58). In 2021, 206 human rights-related complaints were received by phone as well as by post and e-mail. All complaints were reviewed and forwarded to the relevant departments for in-depth investigation. If justified, appropriate measures were taken.

We see assuming our human rights responsibilities as a continuous process. That is why we continuously review our policies and processes and update them whenever necessary. We are currently examining further development measures in various working groups against the backdrop of new regulations such as the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the forthcoming E.U. legislation on due diligence in the supply chain.

We established a Human Rights Advisory Council in 2020 to systematically integrate external expertise. Its members include independent international human rights experts. The trust-based dialog on human rights topics helps us to better understand different perspectives and to deal more openly with critical situations. At the same time, the renowned external experts show us where we have potential for improvement and help us to build on our strengths in how we handle human rights. The meetings, which are chaired by our Chief Compliance Officer, are also attended by employees from the sustainability strategy and compliance units. Other representatives, for example, from the operating divisions or procurement, are invited depending on the focus topics. In this way, the Human Rights Advisory Council provides an external perspective on establishing and improving our processes, and contributes this in discussions with the leadership team.

We maintained our dialog with the Human Rights Advisory Council throughout 2021, both with the body as a whole and in small groups, and with individual experts. The topics discussed included responsible supply chain management, for example in challenging supplier relationships or in high-risk regions. Our contribution to the responsible use of our solutions and products was also discussed.

In 2021, we stepped up our commitment to action areas with increased risk potential, such as battery materials. Where conflict minerals (tin, tantalum, tungsten, their ores and gold) are used, we pay attention to the implementation of the relevant E.U. regulation in our supply and value chains. We also set store on certified sustainable supply chains and fair working conditions in the procurement of raw materials such as palm oil, palm kernel oil and castor oil. We maintain dialog with national and international NGOs and are involved in numerous networks and partnerships. These include the Cobalt for Development initiative in the Democratic Republic of Congo, the Responsible Lithium Partnership in Chile, the Global Battery Alliance and the Roundtable on Sustainable Palm Oil (RSPO).

As an international company, we are a part of society in the countries in which we operate and have business relationships with partners around the world. We are confronted by the fact that there are states that do not honor their obligation to protect human rights. People are particularly at risk in such countries and companies' ability to act is often limited. We are committed to our values – including and especially there – and contribute to the respect of human rights.

We have trustful working relationships with our partners (customers, suppliers, joint venture partners, contractors), expect them to comply with internationally recognized human rights standards and to

demand the same of their partners further along the value chain. We support our partners in their efforts to meet their respective responsibilities.

We can only meet our goal of eradicating human rights abuses along our value chains if we work together. We have defined our expectations in a binding Supplier Code of Conduct. We are in close contact with our business partners, especially in higher-risk areas and regions, and monitor the implementation of required standards and measures for improvement. We use recognized assessments and audits to verify this.

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

🔗 For more information on standards in our supply chain, see page 13 onward

For more information on raw materials, see page 15

For more information on our production standards, see page 17 onward

For more information on systems for monitoring labor and social standards, see page 39

For more information on corporate governance and compliance, see page 50 onward

📄 See [basf.com/humanrights](https://basf.com/humanrights) for more information on the human rights position and a comprehensive report on the implementation of due diligence in human rights in accordance with the requirements of the National Action Plan developed by the German government, and in accordance with the U.N. Guiding Principles on Business and Human Rights

For more information on the Human Rights Advisory Council, see [basf.com/human-rights-council](https://basf.com/human-rights-council)

## Our societal engagement approach

Through our societal engagement, we want to help disadvantaged groups tackle their specific challenges – whether through initiatives in our immediate communities or around the world in cooperation with global organizations. We want to foster societal cohesion by supporting and protecting health, skills and resources. We support projects that aim to have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and BASF (see page 30).

In this way, societal engagement is an important part of the implementation of our sustainability strategy and our corporate social responsibility. Our societal engagement policy provides the guardrails for our activities in this area. It stipulates that all engagement measures worldwide must be conducted in line with our compliance policy, BASF's strategy and our sustainability commitments.

📄 For more information on our societal engagement around the world, see [basf.com/en/engagement](https://basf.com/en/engagement)



## Supplier Management

**BASF sources a wide range of raw materials, precursors, technical goods and services. Our suppliers are an important part of our value chain. Our objective is to secure competitive advantages through our professional procurement structures, to establish stable and reliable supply chains, and at the same time, meet high ethical and environmental standards. Together with our suppliers, we want to improve sustainability in the supply chain and minimize risks.**

### Strategy

Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, precursors, technical goods and services at competitive prices.<sup>1</sup> In doing so, we want to generate long-term benefits for both sides. Our sustainability-oriented supply chain management is an integral part of our risk management. We have defined our standards and processes in a global guideline. We are continually refining and optimizing this to respond to changes in the regulatory environment and new requirements resulting, for example, from new laws and initiatives at national and international level. Procurement management systems such as guidelines and targets are set centrally and are binding for all employees with procurement responsibility worldwide.

Our risk-based approach aims to identify and evaluate sustainability matters in our value chains as best possible to improve sustainability together with our suppliers. We regularly review and document progress based on the risk level. Employees with procurement responsibility receive ongoing training in sustainability-oriented supplier management and responsible procurement. In 2021, 250 BASF employees received such training.

Our expectations of our suppliers are laid down in the global Supplier Code of Conduct. This creates clarity around the standards to be met. We count on reliable supplier relationships and support our suppliers in implementing our requirements. In 2021, we also launched the Supplier CO<sub>2</sub> Management Program. With this program, we want to systematically gather data on upstream Scope 3 emissions to identify medium-term measures for optimization. We make our suppliers' contribution to sustainable development transparent for us and for our stakeholders.

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

### Global targets

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. In addition, we aim to have 80% of suppliers improve

their sustainability performance upon re-evaluation by 2025. In 2021, 85% of the relevant spend had been evaluated. Of the suppliers re-evaluated in 2021, 74% had improved. Both global targets are embedded in the target agreements of persons responsible for procurement.

### Worldwide procurement

BASF SE's more than 9,000 suppliers make an important contribution to our value creation. We work in long-term partnership with companies from different industries around the world. They supply us with raw materials, precursors, investment goods and consumables, perform a range of services and are innovation partners.

BASF SE acquired raw materials, goods and services for our own production worth approximately €9 billion in 2021. There were no substantial changes to our supplier structure.

### What we expect from our suppliers

Together with our suppliers, we want to improve sustainability in the supply chain. Consequently, we expect our suppliers to comply with the applicable laws in full and to adhere to internationally recognized environmental, social and corporate governance (ESG) standards. We also expect our suppliers to make an effort to enforce these standards at their suppliers.

In addition, we ask our suppliers to acknowledge, support and abide by our Supplier Code of Conduct – or to demonstrate and ensure their commitment to the principles specified in the Code of Conduct, for example in their own code of conduct.

Our global Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care initiative. Topics covered by the Code of Conduct include compliance with human rights, the exclusion of child and forced labor, safeguarding labor and social standards, antidiscrimination and anticorruption policies, and protecting the environment. The Code of Conduct is available in the most relevant languages for our suppliers and is integrated into electronic ordering systems and purchasing conditions across the Group. We revised our Supplier Code of Conduct in 2021 and added our expectations around the procurement of conflict minerals (tin, tantalum, tungsten, their ores and gold). In 2021, around 5,900 new suppliers committed to our Code of Conduct Group-wide.

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

<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, our purchasers' assessments or other sources.

BASF conducts audits and assessments to ensure that suppliers comply with the applicable laws, rules and standards. BASF reserves the right to discontinue business relationships for non-adherence to international principles. The same applies to failure to correct violations, or for displaying patterns of non-compliance with these standards. Our Code of Conduct expressly points out that potential violations of laws, rules or standards can be reported – including anonymously – to our compliance hotlines. Each case is documented and investigated, and appropriate measures are taken as necessary.

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

### Selection and evaluation of our suppliers

New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also ESG standards. As such, selection, evaluation and auditing is an important part of our sustainable supply chain management. Processes and responsibilities are defined in a global guideline. Due to the large number of suppliers, they are evaluated based on risk. We take into account the materiality of the supply relationship and country and industry-specific risks. We also use observations from our employees in procurement and information from internal and external databases, such as Together for Sustainability (TfS) assessments.

We have suppliers with a high potential sustainability risk evaluated by third parties, either through sustainability evaluations or on-site audits. The list of suppliers to be assessed is updated every year. Sustainability evaluations and on-site audits are mainly conducted according to the TfS framework. A total of 86 raw material supplier sites were audited on sustainability standards on our behalf in 2021. We received sustainability evaluations for 701 suppliers. We also take into account other certification systems and external audits, such as from the Roundtable on Sustainable Palm Oil, when assessing our suppliers. Depending on business requirements, we additionally conduct our own Responsible Care audits at selected suppliers (see page 16).

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

### Audit results

We carefully analyze the results of our assessments and document them in a central database. The on-site supplier audits conducted over the past few years have identified some need for adjustment with respect to environmental, social and corporate governance standards, for example in waste management or deviations in occupational health and safety measures and standards under labor law. Follow-up audits in 2021 identified improvements, for example, a reduction in health and safety risks following the implementation of appropriate measures and compliance with labor law requirements. In 2021, none of our audits identified any instances of child labor or dangerous work and overtime performed by persons under 18.

### Supplier development

We use TfS evaluations to pursue a risk-based approach with clearly defined, BASF-specific follow-up processes. If we identify deviations from standards, we ask suppliers to develop and implement corrective measures within a reasonable time frame. We support them in their efforts, for example by training employees from 31 suppliers in China on ESG topics in 2021 as part of a partnership with the East China University of Science and Technology. In South America, around 190 suppliers took part in a diversity talk on gender equality in the supply chain, and around 340 suppliers attended a webinar on ethical principles, legislation and human rights in the supply chain.

As part of TfS, training was also developed for suppliers undergoing a sustainability evaluation for the first time and for suppliers that already have a sustainability rating but have potential for improvement in ESG performance. In 2021, more than 1,800 participants attended online TfS training on this topic in different languages. TfS is also developing a global learning platform for buyers and suppliers, which will provide various (online) training opportunities on specific sustainability topics. It is scheduled for launch in 2022.

We review our suppliers' progress according to a defined timeframe based on the sustainability risk identified, or after five years at the latest. In the case of ongoing, serious violations of the standards defined in our Supplier Code of Conduct or international principles, we reserve the right to impose commercial sanctions. These can go as far as termination of the business relationship. In 2021, this happened in three cases.



## Raw Materials

**Using resources as efficiently and responsibly as possible and the concept of the circular economy are firmly embedded in our strategy and our actions, for example, by our Verbund structure and the increased use of renewable and recycled feedstocks. We expect our suppliers to source and produce raw materials responsibly.**

### Strategy

Our strategy covers the entire value chain – from responsible procurement and the efficient use and recycling of raw materials in our processes to developing resource-saving solutions for our customers. We want to decouple growth from resource consumption with process and product innovations to accelerate the shift toward closed-loop value creation systems. Alongside economic, environmental and social criteria, we also consider aspects such as product safety and supply security when selecting suppliers and raw materials.

Our expectations of our suppliers are laid down in our Supplier Code of Conduct (see page 13). We take a closer look at suppliers in critical supply chains, for example mineral raw materials, renewable resources such as palm kernel oil, a number of pigments and highly toxic substances. Upstream stages of the value chain are assessed for serious sustainability risks and, if necessary, suitable remedial measures are identified. In addition, we develop and test approaches to make the supply of raw materials more sustainable in joint initiatives with suppliers and other partners. Examples include our cooperative ventures and investments to recycle batteries and our joint activities on certified sustainable supply chains for renewable raw materials such as palm, palm kernel and castor oil.

BASF's Verbund concept is key to making the use of raw materials in our own processes as efficient as possible: Intelligently linking and steering our plants and processes creates efficient value chains. By-products from one facility are used as feedstocks elsewhere. This saves raw materials and energy. At the same time, the Verbund offers many opportunities to use renewable and recycled raw materials. We want to better leverage this potential going forward. For example, we are driving forward chemical recycling of mixed plastic waste and used tires in our ChemCycling™ project.

Resource efficiency and stewardship are also becoming increasingly important topics for our customers. That is why we are constantly working to reduce the resources consumed in the manufacturing of our products, for example through more efficient processes, innovative technologies and the use of renewable and recycled raw materials. This enables us to offer our customers solutions that make a greater contribution to sustainability, like a smaller carbon footprint or better biodegradability. Our products also improve our customers' resource efficiency and sustainability in many areas. For example, BASF additives increase the service life and mechanical recyclability of plastics, which saves fossil resources and avoids CO<sub>2</sub> emissions.

### Circular economy

Circularity is a particular focus in the continued development of our product portfolio. This enables us to help our customers achieve their sustainability goals while improving the resource and carbon footprint of our products.

By 2030, the BASF Group aims to generate sales of €17 billion with solutions for the circular economy. These include products based on renewable or recycled raw materials, products that close material cycles ("close the loop") and products that increase the resource efficiency or life of materials ("extend the loop").

In addition, we want to increasingly use alternative raw materials in the manufacturing of our products. These include bio-based raw materials such as bionaphtha and biogas, and renewable raw materials such as RSPO-certified palm oil, which we have been using for many years as a substitute for fossil resources. To expand our supply base for alternative raw materials and at the same time, contribute to the circular economy, we are also developing new, waste-based sources of raw materials. To achieve this, we develop innovative technologies, usually in cooperation with partners, for example for the chemical recycling of plastic waste or disposed mattresses made of polyurethane. The BASF Group aims to process 250,000 metric tons of recycled and waste-based raw materials in its production plants annually from 2025.

One of the steps taken to achieve these goals was the establishment of a Group-wide Circular Economy Program. As part of this program, BASF teams are currently developing new approaches to the three main action areas in more than 35 initiatives: alternative raw material pathways, innovative material cycles and new business models for the circular economy – which also include digital and service-based concepts.

For more information on the circular economy, see [basf.com/circular-economy](https://www.basf.com/circular-economy)

## Health and Safety, Emergency Response

### Our Management Systems

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

BASF is actively involved in the International Council of Chemical Associations' (ICCA) Responsible Care® initiative. We reaffirmed our commitment to this global initiative and the guiding principles of the Responsible Care® Global Charter in 2021. Our Responsible Care Management System comprises the global directives, standards and procedures for environmental protection, health and safety (EHS). At the same time, our Quality Management System ensures the high quality of our products, processes and services, and enables our employees to best meet our customers' needs.

### Responsible Care Management System

Our EHS management approach covers the different stages of our value chain – from the transportation of raw materials to production at our plants, activities at our sites and warehouses, and distribution of our products down to our customers' application of our products. The Environmental Protection, Health & Safety unit in the Corporate Center defines management and control systems for the BASF Group and monitors compliance with internal requirements and legal regulations, while BASF SE implements these requirements locally at the Ludwigshafen site in Germany. Our global network ensures that information and insights are shared across the BASF Group on an ongoing basis. Our policies and requirements are continuously updated. We also maintain dialog with government institutions, associations and international organizations for this reason. We set ourselves ambitious goals for environmental protection, health and safety and regularly review our performance and progress with audits. We assess the potential risks and weaknesses of all our activities – from research and production to logistics – and the potential effects of these on the safety and security of our employees, the environment or our surroundings. We use databases to document accidents, near misses and safety-related incidents at our sites as well as along our transportation routes to learn from these; appropriate measures are derived according to specific cause analyses.

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

### Quality Management System

Our Quality Management System comprises the BASF Group's EHSQ policy as well as further standards, guidelines and processes for quality management along the value chain. Our Quality Management System is risk-based, process-oriented and focused on customer satisfaction. Its mandatory elements are set out in a Corporate Requirement. These include core processes such as nonconformance management, change management and the performance of internal audits.

### Responsible Care audits

Regular audits help ensure that our safety, security, health and environmental protection standards are met. We take a risk-based approach and use an audit database to ensure that all plants are regularly audited. The regulations for Responsible Care audits are defined in a Group-wide 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.

In 2021, 35 environmental and safety audits were carried out at BASF SE. Plants were audited based on their individual risk profile.

For more information on occupational health and safety, see page 17 onward

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

Million €

	2021	2020
Operating costs for environmental protection	580	520
Investments in new and improved environmental protection plants and facilities <sup>1</sup>	135	141
Environmental protection and remediation costs <sup>2</sup>	268	220

<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 74 and 85

## Safety and security

**For occupational and process safety as well as corporate security and health and environmental protection, 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. BASF SE is subject to the mandatory global standards for occupational and process safety, emergency response and health protection. Internal policies are adapted to local conditions to ensure legal requirements are implemented and complied with. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor this. Part of the continuous improvement process at the Ludwigshafen site in Germany are our EHS targets, which are updated every year. In 2021, these were supplemented by an additional package of measures focusing on safety and leadership culture. Our aim here is to advance and anchor goal achievement over the long term. We have defined our reporting indicators in accordance with the reporting standard developed by the International Council of Chemical Associations.

We promote risk awareness for every individual with measures such as systematic hazard assessments, specific and ongoing qualification measures and a wide range of safety initiatives. These include the annual Safety Days, which have become an integral part of safety work at the site. This involvement and lively discussion, even in times of a pandemic, make a major contribution to our safety culture. The same applies to the Safety Champions Team Award for Ludwigshafen, which was presented once again.

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

Leaders are important role models for employees, which is why environmental protection, health, safety and security are discussed with newly appointed senior executives. Senior executives with a particular responsibility for such topics, for example, in production, also receive specific further training to be able to meet their responsibilities. Due to the restrictions caused by the coronavirus pandemic, the seminars for senior executives were held virtually in 2021. Other events in 2021 also focused on the high relevance of

safety topics and dialog among our leaders, such as regular town halls for senior executives.

### Occupational safety

Our aim is to reduce the worldwide lost-time injury rate to no more than 0.1 per 200,00 working hours<sup>1</sup> by 2025. To prevent work-related accidents, we encourage and promote risk-conscious behavior and safe working practices, learning from incidents and regular dialog. We are constantly refining and enhancing our requirements and training.

We are working on introducing and intensifying communication of specific safety targets and tracked site-wide measures as part of our “One Safety” program. These include systematically tracking incidents with high hazard potential, which was introduced in 2017, for example by having site management representatives specifically visit the relevant plants, and further measures to strengthen leadership conduct with respect to occupational safety.

In addition to the legally required briefings, BASF requires both new and experienced employees and contractors to complete compulsory health and safety training, as well as regular training on the safe handling of chemicals and the correct use of personal protective equipment for employees at our production sites. After existing safety training was converted to virtual formats in 2020, some training – especially courses that also provide hands-on experience – could again be held in person in 2021 despite the coronavirus pandemic.

Our own training center in Ludwigshafen, Germany, has offered continuous further training on diverse safety topics for employees and contractors since 2010, for example, on the correct use of personal protective equipment, seals, ladders and steps, as well as ergonomics. Some 2,800 participants received training there in 2021. This figure was lower than in previous years due to the coronavirus pandemic.

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

In 2021, BASF SE recorded 0.6 work-related accidents per 200,000 working hours<sup>1</sup> (2020: 0.6). The share of chemical-related accidents was 3% (2020: 3%). There were no fatal work-related accidents at BASF SE in 2021 (2020: 0).

We actively share insights to further increase occupational safety and continually improve our processes and methods. For example, we evaluate trends in data, analyze accidents and potential incidents, and share knowledge and best practices within our global network of experts and as part of safety initiatives. We also seek

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

dialog with government institutions and are actively involved in external occupational safety initiatives and networks around the world led, for example, by national and international associations such as the German Chemical Industry Association or the European Chemical Industry Council (CEFIC).

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. BASF meets high safety standards in the planning, construction and operation of its plants around the world. These meet and, in some cases, go beyond local legal requirements.

BASF SE's guidelines 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 safety concept for every plant that considers the key aspects of safety, health and environmental protection – from plant design to the end of the production phase – and that sets out specific safety measures.

In order to maintain the highest level of safety at our plants across their entire life cycles, we verify that our protection concepts, safety reviews and resulting safety measures have been carried out in all our plants at timely intervals based on risk potential. We regularly update our plants' safety and security concepts, taking into particular account new technological opportunities and regulatory developments.

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 2021, BASF SE recorded 0.5 process safety incidents per 200,000 working hours (2020: 0.4). We investigate every incident in detail, analyze causes and use the findings to derive suitable measures. We share the findings at the site and in our global network in the interest of continuous improvement.

Around the world, we promote the reduction of process safety incidents and improve risk awareness with a culture of dealing openly with mistakes and initiatives to foster dialog around safety risks. To reduce process safety incidents, we focus in particular on technical measures and on a leadership culture that places even greater emphasis on process safety. To this end, representatives of site management conducted in-depth discussions on accidents and their causes at plants with high accident rates. Another focus was on plant-specific initiatives to improve behavior-based safety.

In addition, we are continually refining and expanding our training methods and offerings to increase risk awareness. Due to the restrictions associated with the coronavirus pandemic, in-person

seminars were again held as virtual meetings or taught using web-based applications in 2021.

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

## Health protection

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

Our health management serves to maintain and promote the health and productivity of our employees. The occupational health standards are specified in a binding global requirement. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor compliance with the standards, including at the Ludwigshafen site in Germany.

To practice collaboration between the various BASF emergency response teams, one mass casualty incident drill was conducted in 2021 (2020: 1), which physicians, paramedics and other experts from the medical department participated in. In addition, more than 1,900 participants (2020: 1,900) received first aid or refresher training from certified instructors from the site emergency services team in 2021.<sup>2</sup>

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

We measure our performance in health protection using the Health Performance Index (HPI). This has five components: recognized occupational diseases, medical emergency drills, first aid, preventive medicine and health promotion. Each component contributes a maximum of 0.2 to the total score, meaning that the highest possible score is 1.0. We aim to reach a value of more than 0.9 every year. With an HPI of 0.96, we once again reached this target in 2021 (2020: 0.92). As in 2020, the figure is slightly lower than in previous years due to the coronavirus pandemic. Consequently, a number of criteria crucial to the HPI could not be fully met or measures could not be performed as usual in the reporting year. These included activities that required physical participation such as emergency drills, examinations or first aider training.

In 2021, we continued the measures to fight the coronavirus pandemic developed and successfully implemented in 2020, adapted to the infection situation in each case. By sharing information in our BASF medical network and working closely together with the

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

<sup>2</sup> Due to the pandemic, the prescribed period for refresher courses was increased from two to three years in line with the guidance issued by the DGUV (German Social Accident Insurance). As a result, the number of participants per year is lower than in previous years.

authorities, employee representatives and our partners, we were able to make and implement sound and timely decisions according to the situation. Our actions focused on the health of all of our employees, contractors and third parties. Measures included providing information to and raising awareness among employees, tracing and breaking infection chains, and vaccination services. More than 22,000 primary vaccinations and more than 21,000 secondary vaccinations were administered at our coronavirus vaccination center from April to August 2021, and more than 10,000 booster vaccinations were administered there in December to BASF employees, contractors and site partners.

Another focus in 2021 was on influenza prevention. BASF employees could be vaccinated against the seasonal flu at many sites around the world, an offer that was very well received. Around 6,800 employees participated in the influenza vaccination campaign at the Ludwigshafen site in Germany.

In light of the coronavirus pandemic, the Health Campaign 2021 was again devoted to the personal health of our employees. Titled "Recharge yourself," the program included a wide range of in-person and virtual seminars and interactive events on regeneration such as workshops, courses, talks and exercises. Focus topics were physical activity, nutrition and relaxation.

In October 2021, the Corporate Health Management unit received the European Responsible Care® Award from the European Chemical Industry Council (CEFIC) in the category "Supporting health in COVID-19 times" for its wide-ranging activities and innovative approaches to fight the coronavirus pandemic – bundled under the motto of "Protect yourself and others."

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

## Emergency response, corporate and cyber security

We create working conditions and an environment in which our employees can work safely. The focus of our emergency and crisis management is therefore on the safety of our employees, plants and sites as well as our communities. We are well prepared at global, regional and local level for exceptional situations such as major incidents or pandemics thanks to our extensive regulations and measures for emergency preparedness, emergency response and crisis management. All incidents are carefully followed up on to identify potential for improvement, which is integrated into existing concepts as needed. At BASF SE, unusual incidents are recorded and reported centrally in accordance with a standard Group-wide procedure (e-Rapid Incident Report). This enables us to identify risks at an early stage and, if necessary, initiate appropriate relief and communication measures.

Incidents are initially handled by the local crisis organization or local emergency response team. We have also implemented precautionary organizational measures with clearly defined responsibilities and procedures at the Ludwigshafen site in Germany. The responsible

persons receive regular training. Depending on the situation, we also involve business partners and our sites' communities, such as local authorities or neighboring companies. Additional teams may be called in depending on the extent of the damage and how it develops.

For example, the Global Crisis Management Support Team (GCMS), led by a member of the Board of Executive Directors, was activated in connection with the coronavirus pandemic. It provides the strategic direction for crisis management and is supported by issue-specific and specialist working groups.

Safety and emergency drills are also conducted regularly for the site. The number of employees and partners involved varies depending on the type of exercise. In 2021, we conducted 217 drills and simulations in Ludwigshafen, Germany, to instruct participants on our emergency response measures according to their specific roles (2020: 176).

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. In 2021, we provided assistance to public emergency response agencies and other companies in 123 cases (2020: 97). This included information on chemicals and their proper disposal, on-site operational support for transportation accidents involving hazardous goods, or information on human biomonitoring. We apply the experience we have gathered to improve our own processes.

The corporate security requirements for site security are set out in a global guideline. Local implementation at the Ludwigshafen site is regularly audited and continuously improved. Respect for human rights is a mandatory element of our requirements. Aspects of human rights relevant to site security are a component of the global code of conduct and qualification requirements for our internal and external security personnel. We analyze the potential safety and security risks associated with investment projects and strategic plans, and define appropriate safety and security concepts. Our guiding principle is to identify risks for the company at an early stage, assess them properly and derive appropriate safeguards.

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

We protect our employees, sites, plants and company know-how against third-party interference. This includes addressing in depth the issue of cybersecurity and information security. BASF applies the "security by design" principle to critically review and optimize IT applications from a cybersecurity perspective as early as the design phase. We are continually improving our ability to prevent, detect

and react to security incidents with various measures and training programs. The BASF Group's global cybersecurity team also monitors and protects BASF SE's IT systems against hacker attacks. Our IT security management system is certified according to DIN EN ISO/IEC 27001:2017. It also supports, in particular, our critical infrastructures in meeting additional compliance requirements such as DIN EN ISO/IEC 27019:2020, IT security catalog and corresponding industry-specific standards (B3S).

Around the world, we work to sensitize our employees about protecting information and know-how. We further strengthened our employees' awareness of risks in 2021 with mandatory, regular online training for all employees and complementary offerings such as seminars, case studies and interactive training. These increasingly addressed aspects of working practices that have changed as a result of the coronavirus pandemic, such as cybersecurity when working from home.

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



## Product Safety

**We see product safety as an integral part of all business processes, as an element of our risk management, and as an important pillar of our commitment to Responsible Care®. 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. We aim to comply with all relevant national and international laws and regulations.**

### Strategy

We are committed to continuously minimizing the negative effects of our products on the environment, health and safety and to the ongoing optimization of our products. This commitment to product safety is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). Our products should not pose any risk to humans or the environment when used responsibly and in the manner intended.

We aim to comply with all relevant national and international laws and regulations. We implement the rules, processes and responsibilities defined in global requirements at BASF SE to ensure uniformly high product safety standards. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor this. BASF's global network of experts shares information, insights and best practices around product safety on an ongoing basis.

We maintain and evaluate environmental, health and safety data for all of our substances and products in a global database. This information is continuously updated. The database forms the basis for substance and product assessments and for our safety data sheets, which we make available to our customers in around 40 languages. These include information on the physical/chemical, toxicological and ecotoxicological properties of products, potential hazards, first aid measures, measures to be taken in the case of accidental release, and disposal. Our global emergency hotline network enables us to provide information around the clock. In order to help users to quickly find out about our products and the risks associated with them, we use the Globally Harmonized System (GHS) to classify and label our products around the world, provided this is legally permissible in the country concerned. We take into account any national or regional modifications within the GHS framework, such as the E.U.'s CLP Regulation.

We train our employees, customers and logistics partners on the proper handling and optimal use of selected products with particular hazard potential. Furthermore, in associations and together with other manufacturers, BASF is pushing for the establishment of voluntary global commitments to prevent the misuse of chemicals.

### Global chemicals regulations

Most of the products we manufacture are subject to statutory chemicals regulations. We want to ensure compliance with these. We are bound by the relevant regional and national chemicals regulations, which continue to grow in number worldwide. Examples include REACH in the European Union, TSCA in the United States, KKDİK in Turkey or K-REACH in South Korea. BASF Group companies work closely together with a global network of experts to ensure that BASF complies with the applicable regulations.

### Environmental and toxicological testing

Before launching products on the market, we subject them to a variety of environmental and toxicological tests using state-of-the-art knowledge and technology. If we employ animal studies, we adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world. We develop and are continuously optimizing alternative methods to experimentally assess the safety and tolerance of our products without animal studies. Our aim is to replace, reduce and refine animal studies to minimize the impact on them. We made great progress toward this goal in 2021. For example, an animal-free toxicological testing strategy jointly developed by BASF and Givaudan was approved by the OECD – the first of its kind worldwide. The strategy comprises three individual alternative methods. By combining these methods, it is possible to test more precisely than in animal studies whether a substance causes allergic skin reactions.

### Management of nano- and biotechnology

Nanotechnology and biotechnology offer solutions for key societal challenges – such as environmental and climate protection or health and nutrition. For example, nanomaterials can improve battery performance and biocatalytic methods can improve process resource efficiency. We want to harness the potential of both technologies. Using them safely and responsibly is our top priority. Safe handling of nanomaterials is stipulated in our Nanotechnology Code of Conduct, for instance. We produce a range of products with the help of biotechnological methods, including natural fragrances and flavors, enzymes, vitamins or seeds for agriculture. This provides us with extensive experience in their safe use in research, development and production. We are guided by the code of conduct set out by EuropaBio, the European biotechnology association, and want to adhere to all relevant standards and legal regulations governing production and marketing in our use of biotechnology.

## Product stewardship for crop protection products and seeds

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

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

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

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

One of the ways we meet our commitment to product stewardship is by offering a wide range of courses and training on the safe storage and safe use of our products. In India, for example, BASF launched the Suraksha Hamesha program. Suraksha Hamesha means "safety all the time." The program creates a platform for educating farmers and agricultural workers about the nine steps of

responsible use of crop protection products and personal protection. Through Suraksha Hamesha, BASF has engaged with around 162,600 agricultural workers and around 33,200 users across India since 2016. BASF also involves government agencies and the central government's farm extension teams in these meetings to support and promote farm safety.

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

BASF is a member of Excellence Through Stewardship, a global industry initiative for seeds. This initiative promotes the adoption of quality management systems for seeds and product stewardship programs covering the entire life cycle. It also has independent ETS-certified auditors verify members' compliance with its guidelines. In 2021, BASF successfully passed ETS audits in the areas of laboratory operations, contained biotech plants, general stewardship, incident response management and product handling at our Ghent and Astene sites in Belgium.



## Transportation Safety

**Our regulations and measures for transportation safety cover the delivery of raw materials, the handling and distribution of chemical products between BASF sites, warehouses and customers, and the transportation of waste.**

### Strategy

We want our products to be loaded, transported and handled safely. This is why we depend on recognized standards, an effective organization and reliable logistics partners. Our goal is to minimize risks along the entire transportation chain – from loading and transportation to unloading. The transportation of dangerous goods is subject to mandatory national and international dangerous goods regulations as well as local guidelines for the Ludwigshafen site in Germany. The dangerous goods safety advisor regularly monitors compliance with transportation safety regulations and guidelines at BASF SE using globally standardized transportation safety reviews. External logistics partners are evaluated based on risk either through assessments or on-site audits. BASF's global network of experts ensures that information, insights and best practices are shared on an ongoing basis.

### Preventive safety measures

National and international dangerous goods regulations are based on an assessment of transportation risks and set out rules and measures for safely transporting dangerous goods. We use various tools to minimize transportation risks. For example, for every dangerous good to be transported, we check in each case whether the packaging is suitable for the type of transport. We conduct digital dangerous goods checks before shipping orders are released. In addition, vehicles are subjected to a thorough dangerous goods check prior to loading and rejected if there are any issues.

Above and beyond this, we use a global requirement to specifically assess the safety and environmental risks of transporting and handling raw materials and sales products with high hazard potential. This is based on the Guidance on Safety Risk Assessment for Chemical Transport Operations published by the European Chemical Industry Council (CEFIC).

We stipulate 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

To evaluate transportation safety, we systematically record transportation incidents according to defined criteria. We use the number of transportation incidents<sup>1</sup> as a reporting indicator. In 2021, we recorded four transportation incidents at BASF SE (2020: 5).

A particular focus is incidents involving goods spillages that could lead to significant environmental impacts. These include 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 2021 with spillage of more than 200 kilograms of dangerous goods<sup>2</sup> (2020: 1). None of these transportation incidents had a significant impact on the environment (2020: 0).

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

### Securing raw materials supply via the Rhine River

In order to secure waterside logistics at the Ludwigshafen site in Germany even during critical low water events, we have been implementing measures in various areas since 2018. The development of an early warning system for dry periods and measures to make loading stations more flexible have already been completed. Since 2019, we have also permanently leased low-water vessels available on the market from various shipping companies. In addition, we have initiated the development of three new types of inland waterway vessels suitable for low water together with external partners. One was put into operation in 2021. As a co-signatory of the German Federal Ministry of Transport's "Low water on the Rhine" action plan, we also support further measures to improve shipping conditions on the Rhine. We recorded no extended low water events that significantly restricted our logistics in 2021.

<sup>1</sup> Data is collected based on the International Council of Chemical Association's (ICCA) guidance for reporting performance and includes road, rail and container shipping incidents.  
<sup>2</sup> Hazardous goods are classified in accordance with national and international hazardous goods regulations.

## Energy and Climate Protection

**As an energy-intensive company, we take responsibility for the efficient use of energy and global climate protection. We are committed to the Paris Climate Agreement. Our innovative products enable a reduction in greenhouse gas emissions in many areas. At the same time, we are working to significantly reduce our own carbon footprint with our carbon management.**

### Strategy

Climate protection is very important to us and is an important part of our corporate strategy. Our activities to reduce greenhouse gas emissions are part of the BASF Group's global carbon management. This has five levers: using renewable energies for both electricity and steam production (gray-to-green and power-to-steam levers), developing and applying new carbon-free production processes (new technologies lever), using alternative raw materials (bio-based feedstocks lever), and ongoing measures to further increase energy and resource efficiency in our production (continuous opex lever). We only consider external offsetting measures as a temporary stop-gap if our activities do not make the desired contribution to reducing emissions.

Most of our greenhouse gas emissions are from the use of fossil fuels to generate energy. At the Ludwigshafen site in Germany, 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.

### Targets and measures

The BASF Group has set itself the goal of reducing total greenhouse gas emissions from its production sites and energy purchases by 25% by 2030 compared with 2018.<sup>1</sup> By 2050, the BASF Group aims to achieve net zero emissions from its production sites and energy purchases. BASF SE will play a significant part in reaching this goal. However, no separate site target has been set for greenhouse gas emissions, as changes to plant capacity utilization and the portfolio can have a great impact on target achievement at individual site level, but can usually be offset at Group level.

Energy use and greenhouse gas emissions are closely linked to capacity utilization and production volumes at our plants. Group-wide, specific greenhouse gas emissions in 2021 amounted to 0.564 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product,<sup>2</sup> a decrease of 11.7% compared with the previous year (2020: 0.639 metric tons of CO<sub>2</sub> equivalents per metric ton of sales product). This was mainly due to higher demand compared with the previous year and consequently, better and more stable capacity utilization at our plants. In addition, the increased use of renewable energy had a positive impact on specific greenhouse gas emissions.

We aim to make our plants and processes even more efficient and resource saving. An important component of this is the introduction and ongoing maintenance of certified energy management systems according to DIN EN ISO 50001. BASF SE's Ludwigshafen site has been certified according to ISO 50001 since 2014. We continuously analyze and implement measures to increase energy efficiency.

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

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

### Energy demand of BASF SE

	2021	2020
Electricity (MWh)	5,998,140	5,984,894
Steam (metric tons)	19,510,149	18,096,317
Fossil fuels in power plants (MWh)	17,802,367	16,491,520

<sup>1</sup> The goal includes other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e). In March 2021, the previous target of CO<sub>2</sub>-neutral growth until 2030 (baseline 2018: 21.9 million metric tons of CO<sub>2</sub>e) was replaced with a new, more ambitious climate protection target to reduce absolute CO<sub>2</sub> emissions by 25% compared with 2018 (new target: 16.4 million metric tons of CO<sub>2</sub>e).

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

## Emissions to Air, Waste and Remediation

**We want to minimize the impact of our activities on people and the environment by continually reducing emissions to air, preventing waste and protecting the soil and groundwater. Our plants are operated safely and efficiently. We use resources responsibly and are continually reducing the environmental impact of our plants and processes with our Operational Excellence Program.**

### Strategy

The safe and efficient operation of our plants and the responsible management of resources and waste are core components of our Responsible Care Management system. The standards for emissions to air, waste and contaminated sites defined in Group-wide guidelines are also implemented at BASF SE. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor compliance with internal guidelines and legal requirements. BASF's global network of experts regularly shares information, insights and best practices to further reduce our emissions to air, manage waste and responsibly handle contaminated sites. Continuous documentation and monitoring of emissions to air, soil and groundwater, waste streams and contaminated sites as well as the implementation of measures for improvement are an integral part of our environmental management. In addition to greenhouse gases (see page 24), we also measure and analyze emissions of air pollutants to avoid potentially harmful substances as best possible. Our waste management is based on the systematic tracking of material flows and follows a clear hierarchy: We aim to avoid waste as far as possible, for example, by continuously optimizing our processes or developing new production methods. BASF's Verbund structure with its networked plants and value chains is key here. We use it to efficiently manage our material flows. The by-products of one plant serve as feedstock for other plants and processes elsewhere in the BASF Verbund, avoiding waste and enabling us to use raw materials as efficiently as possible. If these cannot be used within BASF's Verbund structures, we assess whether they can be recycled or thermally recovered. Non-recyclable materials are disposed of safely, appropriately and in an environmentally responsible manner. If we use external waste disposal companies, we conduct

regular audits to ensure that waste is disposed of properly. In this way, we also contribute to preventive environmental protection and keep today's waste from becoming tomorrow's contamination. If soil and groundwater contamination occurs at active or former sites, appropriate remediation measures are reviewed and implemented.

### Waste

BASF SE generated 777,130 metric tons of waste in 2021 (2020: 751,640 metric tons). Of this, 47.3% was recovered and 52.7% was disposed of. Hazardous waste accounted for 98.4% of the total disposed waste.

### Management of landfill and contaminated sites

We have global standards for managing contaminated sites. A worldwide network of experts ensures these are implemented. We develop remediation solutions that balance nature conservation, climate protection concerns, costs and social responsibility. This means making differentiated decisions on a case-by-case basis, founded on the legal framework and current technological standards. Contaminated sites are documented in a database. Ongoing remediation work around the world continued on schedule in 2021 and planning was concluded for future remediation projects. Mineral waste generated by BASF SE that can no longer be recovered is deposited at landfill sites such as Flotzgrün. Activities to contain and monitor the groundwater contamination in the older sections of the Flotzgrün landfill site were systematically continued and optimized with additional groundwater measuring stations.

### Emissions to air by BASF SE

	2021	2020
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)	8,288	7,963 <sup>1</sup>
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)	7.20	7.42

### Waste generated by BASF SE

	2021	2020
Total waste generation (metric tons) <sup>2</sup>	777,130	751,640

<sup>1</sup> The comparative figure for 2020 has been adjusted to reflect updated data.  
<sup>2</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, and to make our products. Our goods are transported via waterways. At the same time, water is a scarce commodity in more and more regions. That is why we promote the responsible use of this resource with sustainable water management.**

### Strategy

The responsible use of water as a resource is a core element of our Responsible Care Management System and an important part of our commitment to the United Nations' Sustainable Development Goals (SDGs). This is also reflected in a position paper on water protection, which the BASF Group published in 2021.

The global standards and requirements for water are defined in Group-wide guidelines, which also apply to BASF SE. Among other things, these stipulate that water protection concepts must be implemented at all production sites. The guidelines also cover aspects such as process and transportation safety (see pages 18 and 23) in order to prevent production and transportation-related product spillages into water bodies as far as possible. The Environmental Protection, Health & Safety unit in the Corporate Center conducts regular audits to monitor implementation and compliance with internal guidelines and legal requirements. BASF's global network of experts shares information, insights and best practices around the responsible use of water on an ongoing basis.

### Targets and measures

By 2030, the BASF Group wants to have introduced sustainable water management at the Verbund sites and at all production sites in water stress areas,<sup>1</sup> covering 89% 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.

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

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

### Water balance of BASF SE

	2021	2020
Water abstraction (million cubic meters)	1,186	1,337
Water use (million cubic meters)	2,228	2,002
Water discharge (million cubic meters)	1,060	1,097
Emissions of organic substances to water (metric tons)	5,088	4,959
Emissions of nitrogen to water (metric tons)	1,313	1,426
Emissions of heavy metals to water (metric tons)	8	8

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

## Biodiversity

**Biodiversity describes the variety of life forms on Earth. Low flora and fauna diversity weakens ecosystems' ability to withstand changes such as climate change. As a chemical company, we depend on ecosystem services like the availability of renewable resources and high air, water and soil quality, while also influencing them. Protecting biodiversity is a key element of our commitment to sustainability.**

### Strategy

BASF sees the United Nations' Convention on Biological Diversity and the Sustainable Development Goals (SDGs) – including Life below water (SDG 14) and Life on land (SDG 15) – as important orientation and reference frameworks. Our measures help to preserve biodiversity and meet our responsibility to maintaining the wellbeing of the environment and society. Our corporate sustainability goals on climate protection, product portfolio, circular economy, water management and responsible procurement also help to protect biodiversity.

We align our biodiversity measures with the impact of our business activities along the value chain. Our focus here is on three impact areas: supply chains, sites and production, and product impact. We analyzed these in an internal workshop according to the five drivers of biodiversity loss as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. These are land-use change, climate change, invasive species, overexploitation and pollution. Our analysis showed that our impacts along the value chain mainly relate to the drivers of climate change, land-use change and pollution. We counteract the climate change driver of biodiversity loss – and in this way, help to preserve biodiversity – with our climate protection measures, which play an integral role in all our impact areas (see page 24).

We use various methods to measure our sustainability performance that implicitly and explicitly consider relevant risks and opportunities for biodiversity. These include the Eco-Efficiency Analysis, SEEBalance®, Sustainable Solution Steering, Value to Society, AgBalance® and the corresponding biodiversity calculator. Our Value to Society method assesses things like land use along value chains. Newly developed assessment methods help us to understand further influences on biodiversity. On the basis of this understanding, we seek dialog with partners and enter into strategic partnerships, through which we drive forward measures to protect biodiversity around the world.

### Responsibility to our supply chains

Some of the business activities of our raw material suppliers involve land uses that can influence biodiversity (biodiversity loss driver: land-use change). We have laid down our expectations of our suppliers with regard to environmental, labor and social standards in the supply chain in the Supplier Code of Conduct (see page 13).

BASF procures a variety of renewable raw materials. In the procurement of palm and palm kernel oil in particular, there is an elevated risk of deforestation to create farmland. To improve sustainability in procurement, we established the BASF Palm Commitment in 2011, which was updated in 2015 and is implemented with our Palm Sourcing Policy. Third-party certification with standards such as the Roundtable on Sustainable Palm Oil (RSPO) standard enables us to take biodiversity criteria into account when purchasing raw materials (see page 15). We are also committed to the environmental sustainability of other supply chains through our own initiatives, such as our rambutan program. This was launched in 2014 in close collaboration with partners in Vietnam to source botanical ingredients for cosmetic products from certified organic rambutan gardens. In cooperation with local farmers and NGOs, BASF's program promotes the preservation of biodiverse habitats, as well as good agricultural practices, gender equity and fair working conditions.

Our position on forest protection sets out our commitment to preserving biodiversity in areas of High Conservation Value such as High Carbon Stock forest areas and peatlands in the procurement of renewable raw materials. BASF participated in the "Forests" assessment conducted by the international organization CDP for the second time in 2021 and achieved a score of A–, again giving it Leadership status. CPD is a nonprofit organization that evaluates companies' management of the environmental risks and opportunities relating to forests, among other things. The assessment is conducted based on detailed insights into the palm value chain and activities that impact ecosystems and natural habitats.

### Responsibility to our sites and production

Preservation of biodiversity is taken into consideration in the management of our sites. We operate our facilities in a responsible manner and minimize negative effects on the environment (biodiversity loss driver: pollution) by keeping air, water and soil emissions as low as possible and reducing and avoiding waste (see page 25 for more information).

Our site management measures consider our impact on the biodiversity loss driver of land-use change. For example, given the relevance of conservation areas to preserving diversity, we check how close our production sites are to internationally recognized conservation areas. In 2021, we included this indicator in our environmental database. This allows us to raise awareness of biodiversity at local level and draw attention to potential impacts of our sites on these areas. Four percent of our production sites are adjacent to a Ramsar site and 1% are adjacent to a category I, II or III protected area as defined by the International Union for Conservation of Nature.<sup>1</sup> None of our production sites are adjacent to a UNESCO protected area.

We have adopted biodiversity as a criterion in decision-making processes. In addition, we systematically consider sustainability aspects when deciding whether to invest in the construction of new

<sup>1</sup> We have defined "adjacent" as the area within a 3 km radius.

sites or expand existing ones. Aspects assessed include the potential impacts on forests and biodiversity.

We are implementing local measures to protect biodiversity at a number of sites. In Clermont, France, for example, grassed areas were converted into biodiversity-friendly spaces, nesting boxes for swallows and other bird species were installed, and their population sizes were measured and documented. In addition, training was held to raise employees' awareness of biodiversity.

We also take biodiversity conservation into account in our production. We are committed to complying with the provisions of international environmental agreements such as the Nagoya Protocol. The supplementary agreement to the U.N.'s Convention on Biological Diversity regulates access to genetic resources and benefit sharing. It sets out obligations (for example, compensation payments) for the users of genetic resources such as plant-based raw materials. We use internal control mechanisms to monitor compliance with these standards.

### Management of our product impact

BASF offers products and solutions for a wide range of industries. We want to ensure that our products meet our customers' standards in quality and, through appropriate use, pose no risk to humans, animals or the environment. Our commitment to the objectives set forth by the Responsible Care® charter of the International Council of Chemical Associations (ICCA) obligates us to continuously minimize the negative effects of our products on the environment, health and safety and to optimize our products on an ongoing basis. It is important to consider the potential impacts of product use on biodiversity, for example, with regard to the biodiversity loss driver of pollution.

For example, we evaluate our products and solutions in crop protection and seeds throughout the entire research, development and registration process. After they have been approved for the market, we continue assessing them regularly for potential risks and impact to the ecosystems in which they are used. We have initiated various projects and offer training to prevent misuse of our products (see page 22).

All types of land development, such as agriculture and forestry, play a role in changing biodiversity (biodiversity loss driver: land-use change). Activities such as tillage, drainage, fertilization and the use of crop protection products can affect flora and fauna, for example, by influencing food sources. Minimizing these impacts while ensuring the necessary productivity is one of the biggest challenges farmers are facing. Our Agricultural Solutions segment focuses on four areas to help farmers to find the right balance: climate-smart farming, sustainable solutions, digital farming and smart stewardship. In this context, we work with farmers to create balanced agricultural systems which enable productive and efficient farming of high-quality food products and at the same time promote

biodiversity in the field. For example, we advise them on soil cultivation and look for suitable ways to improve biodiversity in farmlands. Our many years of experience in sustainability measurement and evaluation in agriculture are particularly useful here.

Our AgBalance® method and the biodiversity calculator, which has been available since 2020, enable a scientifically sound assessment of the impact of agricultural practices on biodiversity. Based on these assessments, we issue recommendations for measures such as planting flower strips or establishing nesting places to benefit pollinators like wild bees and farmland birds. Our modern seed solutions also enable better yield on existing farmlands and thus help protect natural habitats.

BASF started the global registration for a new, more environmentally friendly insecticide active ingredient in 2021. The active ingredient, Axalion™, enables farmers to control a wide range of piercing and sucking pests that are harmful to crops. At the same time, it is highly compatible with beneficial insects such as pollinators. This supports farmers in balancing agricultural productivity, environmental protection and societal demands.

Animal farming is essential to meeting growing global demand for products of animal origin such as meat, eggs and milk. Industrialized livestock production also requires large areas of agricultural land for growing feed, which has implications for the share of forest areas and biodiversity. BASF offers a range of feed additives such as enzymes, vitamins, glycinates and organic acids that improve nutrient utilization from feed. Better feed conversion and more sustainable livestock production mean that less land is needed, preserving natural ecosystems.

### Strategic partnerships to promote biodiversity

Engaging in ongoing dialog with a variety of stakeholders is important to BASF. That is why we seek out partnerships with relevant interest groups and organizations worldwide to raise awareness of biodiversity and drive forward the action needed to preserve natural habitats. This enables us to firstly share the knowledge gained from our biodiversity activities and secondly learn from others to improve our own practices.

We cooperate with a number of organizations including the Roundtable on Sustainable Palm Oil, the Sustainable Palm Oil Forum, the Brazilian Coalition on Climate, Forests and Agriculture and the High Carbon Stock Approach Steering Group. The Taskforce on Nature-related Financial Disclosures (TNFD) is working to provide a framework for reporting on nature-related risks and related activities. In 2021, BASF joined the newly established TNFD Forum, a consultative network, to support this development. Our involvement in organizations such as the Alliance to End Plastic Waste and the Alliance for Water Stewardship help to preserve biodiversity in bodies of water.

Together with international partners and based on dialog with stakeholders in the food value chain, we are driving forward measures to promote sustainable agriculture. In the United States, for example, BASF is a member of the Honey Bee Health Coalition, which aims to achieve healthy honey bee populations and support healthy populations of native and managed pollinators in productive agricultural systems and thriving ecosystems. BASF France is part of the Entreprises pour l'environnement (EpE) network, which launched the Act4nature campaign with the main objective of protecting and enhancing biodiversity.

Since 2013, we have also been working with different farmers and experts from the BASF FarmNetwork Sustainability, an association of farms in Europe, to integrate more connected biodiversity areas into agricultural production. Based on the insights gained from working together, an advisory board of experts from agriculture, nature conservation and environmental protection developed a biodiversity checklist and published it in 2021. This summarizes 10 ecologically effective and practicable measures to promote biodiversity. Since 2021, BASF has supported farmers participating in its #wirzahlenBiodiversität ("We pay biodiversity") program financially and with professional advice. Our initiatives to preserve biodiversity help farmers to achieve the right balance between economic and environmental factors and help them make an important societal contribution to the preservation of ecosystems.

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



## Our Sustainability Measures

**We want to contribute to a better world with enhanced quality of life for everyone. That is why the three pillars of sustainability are firmly anchored in our corporate purpose, our strategy, our targets and our operating business. They are at the core of what we do, a driver for growth and an element of our risk management. We pursue a holistic approach that covers the entire value chain – from our suppliers and our own activities to our customers.**

### Stakeholder engagement

We leverage the expertise of global initiatives and networks and actively engage in dialog with various stakeholder groups, contributing our expertise.

For instance, we have been a member of the U.N. Global Compact (UNGC) since its establishment in 2000. As a recognized LEAD company, we contribute to the implementation of the Agenda 2030 and the associated goals. For example, we support the UNGC action platforms, including the Sustainable Finance platform in the form of the CFO Taskforce for the SDGs (U.N. Sustainable Development Goals), and the Decent Work in Global Supply Chains action platform, in which company representatives and experts discuss how respecting human and labor rights is crucial to achieving the SDGs. With the six-month SDG Ambition program, the UNGC and the German Global Compact Network (DGCN) support participating companies in aligning their sustainability targets more closely with the SDGs and deriving specific measures from them. BASF is also active in 13 local Global Compact networks.

In 2021, we again discussed relevant sustainability topics with the Stakeholder Advisory Council. Focus topics included climate protection, the energy transformation and food security. Topics discussed by the Human Rights Advisory Council, which is chaired by our Chief Compliance Officer, included particular challenges in the battery materials value chain.

BASF SE's Ludwigshafen site is located in the immediate vicinity of the surrounding residential areas. This is why having a relationship of trust with our community is particularly important to us. We therefore established regular community advisory panels and dialog forums such as meetings with local council members and representatives from the districts of Ludwigshafen, Mannheim and Frankenthal surrounding the Ludwigshafen site in Germany to promote dialog between the public, politics and site management. These meetings were again held in 2021. We also hold information stands at specific events or invite our neighbors to tour our sites. Such a dialog stand was offered in the Oppau district of Ludwigshafen in September 2021. There, residents and interested parties had the opportunity to talk to representatives of site management about topics such as current environmental and safety issues. In addition, our neighbors' concerns about housing for fitters in Ludwigshafen-Oppau were also discussed. BASF has announced specific initial measures here, such as offering accommodation through its housing subsidiary.

We promote digital dialog on sustainability topics. In November 2021, we held the second hackathon as part of the Climathon initiative in North and South America, where employees developed digital solutions for sustainability topics.

 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/en](https://ludwigshafen.basf.de/en)

### Societal engagement

Through our societal engagement, we want to address the needs of the communities surrounding our production sites worldwide, help achieve the SDGs, and have a positive long-term impact on the environment and society. This is why societal engagement is a cornerstone of our corporate social responsibility. It encompasses the focus areas of health, skills and resources.

We work with partners worldwide to promote public health, for example, to combat malaria. Through our New Nets project in cooperation with The Global Fund, Unitaaid and other financial partners, approximately 25 million of our Interceptor® G2 mosquito nets had been distributed in African countries as of December 2021. These were specially developed to counter insecticide resistance in the fight against malaria and contain two different insecticides. The project goal is to distribute a total of around 35 million nets by the end of 2022.

As a responsible neighbor at our largest site in Ludwigshafen and a partner in the Rhine-Neckar metropolitan region in Germany, our societal engagement strategy strengthens the participation and integration of disadvantaged groups, and promotes research and discovery. For example, we are responding to the increased need for support among children and young people due to the pandemic with the Deine Lernbox program, which reached around 600 students at 21 schools in 2021. We promote cooperation between nonprofit organizations with the Gemeinsam Neues schaffen program, which was held for the sixth time in 2021. To date, over 800 organizations have received around €1 million toward implementing around 350 cooperative projects in the region. BASF's Helping Hands volunteer fund has supported associations in the Rhine-Neckar metropolitan region in Germany that have experienced economic hardship as a result of the coronavirus pandemic with an amount of €300,000. The nonprofit organizations use the funds to secure their continued existence, maintain their facilities and continue children's and youth work and inclusion projects.

BASF has supported art and culture since 1921. The first symphony concert of what was then the Palatinate orchestra at BASF's Feierabendhaus event venue on November 30, 1921, laid the foundation for BASF's commitment to culture.

With Wissensfabrik – Unternehmen für Deutschland e.V., we promote a network of around 130 companies and corporate foundations that sponsor educational institutions and start-ups to support children, young people, students and young entrepreneurs. The focus is on school projects that provide hands-on experience with



STEM (science, technology, engineering and mathematics). Due to the coronavirus pandemic, the project's initiatives (such as IT2School – Gemeinsam IT entdecken and KiTec – Kinder entdecken Technik) were also offered in digital formats, allowing these educational programs to continue even as school operations were restricted. In the new City4Future project launched in early 2022, schoolchildren explore topics related to energy, climate change and sustainability through play and can develop ideas for the urban living space of the future.

We aim to create long-term value for BASF and society with new business models and cross-sector partnerships. Our Starting Ventures program helps people from low-income areas to improve their economic opportunities and their quality of life. The program also provides access to new markets and partners, and contributes to reaching the SDGs. A new internal application round for Starting Ventures projects was launched in October 2021. The projects, which aim to help improve local living conditions, then enter the implementation phase. BASF contributes both technical expertise and resources to the projects to address local challenges and contribute to the SDGs.

In the area of international development cooperation, we support the independent charitable BASF Stiftung with donations for its projects in cooperation with various organizations. The 2021 year-end donation campaign in favor of BASF Stiftung supported the United Nations Children's Fund, UNICEF, which celebrated its 75th anniversary. Together with the Indian organization ChildLine and other partners, UNICEF is working to provide psychosocial care for children in India who have had difficulty accessing important services as a result of the pandemic. BASF doubled the donations made by employees of participating German Group companies to a total of around €600,000.

BASF also made donations to support those affected by natural disasters in 2021. In July, BASF donated €1 million to flood relief in Germany, which hit the states of North Rhine-Westphalia and Rhineland-Palatinate particularly hard. The donation went to the German Red Cross, which was active in these crisis regions. In August, BASF doubled the amount donated by employees at its German sites (€702,668 in total) to around €1.4 million. BASF Stiftung distributed the donations to affected private households and charitable institutions. In September, BASF donated \$500,000 to disaster relief following Hurricane Ida and for long-term recovery efforts in Louisiana. Local nonprofit organizations used \$300,000 of this amount for emergency relief and reconstruction. In addition, \$200,000 went to supporting BASF employees who were directly impacted by the effects of the hurricane.

For more information on BASF's commitment to the region and BASF as a good neighbor, see [ludwigshafen.basf.de/en](https://www.ludwigshafen.basf.de/en)

For more information on our societal engagement around the world, see [basf.com/en/engagement](https://www.basf.com/en/engagement)

### Continuation of global aid measures during the coronavirus pandemic

BASF launched the Helping Hands aid campaign in 2020 to help fight the coronavirus and its effects. In 2021, we continued to use our expertise in research, production, procurement and logistics to support people affected by the pandemic around the world.

In April 2021, BASF opened the first accredited corporate coronavirus vaccination center in Germany at its Ludwigshafen site. More than 22,000 primary vaccinations and more than 21,000 secondary vaccinations were administered there from April to August and more than 10,000 booster vaccinations were administered there in December to BASF employees, contractors and site partners. The coronavirus vaccination center was established and operated by an interdisciplinary team from various BASF units, coordinated by Corporate Health Management.

A global working group in our Pharma Solutions business unit has supported pharmaceutical companies in their research on vaccines and therapies to combat COVID-19 since March 2020. The task force reviews patent applications, clinical trials and scientific publications to identify potential collaborations with companies. BASF is currently supporting the global development of more than 80 therapies with its ingredients and expertise.

BASF products were used to cool coronavirus vaccines. For instance, Elastopir® insulation panels were produced in cooperation with a partner in Malaysia and used to equip refrigerated warehouses in Asia. In cooperation with various partners in Germany, Neopor® and Styropor®, BASF's expandable polystyrenes (EPS), were used to produce boxes to transport COVID-19 vaccines due to their good insulating and shock-absorbing properties.

In 2021, BASF also provided in-kind support around the world to overcome the challenges posed by the coronavirus pandemic. For example, BASF donated molecular sieves to the Indian government to facilitate the production of medical oxygen. Medical equipment, including ventilators, was also donated, and acute care units were set up in Mumbai together with partners. We donated medical equipment to Malaysian hospitals for the treatment of COVID-19 patients. In South America, BASF launched a food drive and donated food packages to communities around BASF sites. The food was distributed there to those in need with the help of employees who volunteered their time.

### Steering our product portfolio

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

Accelerator products make a substantial sustainability contribution in the value chain. These include catalysts that reduce emissions to the environment, biodegradable mulch films for agricultural applications, and high-performance insulation materials for higher energy savings and reduced material use in building construction.

Based on our corporate strategy, we have set ourselves a global target: We aim to make sustainability an even greater part of our innovation power and achieve €22 billion in Accelerator sales by 2025. We met this target already in 2021. Consequently, we will update our product portfolio steering target over the course of 2022.

A significant steering tool for the product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method. It considers our products' applications in various markets and customer industries. Transparently classifying our products on the basis of their contribution to sustainability enables us to systematically improve them. We review the categorization of the portfolio at least every four years. This includes analyzing the portfolio in workshops.

If, during reassessment of our portfolio, we identify products with significant sustainability concerns, we classify these as "challenged." We develop and systematically implement action plans for all products in this category. These include research projects and reformulations to optimize products, or even replacing the product with an alternative. To systematically align our portfolio with contributions to sustainability, in 2018 we started phasing out all Challenged products within five years of their initial classification 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. That is why an adapted version of our Sustainable Solution Steering method is used in areas such

as our research and development pipeline, and in merger and acquisition projects. The results and any measures required are part of our business strategies.

By the end of the 2021 business year, we had evaluated 98.7% of the relevant portfolio<sup>1</sup> (2020: 98.4%). This refers to the BASF Group's sales from products in its strategic portfolio to third parties in the business year concerned. By the end of 2021, sustainability analyses and assessments had been conducted for more than 56,000 specific product applications (2020: >57,000), accounting for €71 billion in sales (2020: €54.1 billion).

In 2021, we generated sales of €24.1 billion with Accelerator products (2020: €16.7 billion) – already reaching our target for 2025. Accelerator products account for 33.9% of the assessed relevant portfolio. Sales of Accelerator products rose by 44.3% compared with the previous year. This is primarily attributable to the positive development of Accelerator sales in the Surface Technologies and Chemicals segments. Performer products account for 54.9%, Transitioner products for 11.1% and Challenged products for 0.1% of the solutions assessed.

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 the comparative assessment, which is why we regularly reassess our product portfolio.

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 definition of the relevant portfolio and further information can be found in the Sustainable Solution Steering manual at [basf.com/en/sustainable-solution-steering](https://basf.com/en/sustainable-solution-steering)

## Employees

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

### Strategy

Our employees are key to the successful implementation of BASF's strategy. We are convinced of the value of excellent employees, leaders and working conditions, and strive to give our employees the tools and skills necessary to be able to offer our customers products and services with an even greater level of differentiation and customization. Our corporate strategy promotes a working atmosphere based on mutual trust, in which employees are given the space to optimally develop their individual skills 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 to further strengthen our innovative power with attractive working conditions and through the 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 diverse total offer package. In order to continue to attract talented people to our company in the future, we work continuously on BASF's attractiveness as an employer. Our employees play an important role here as ambassadors for BASF.

### Number of employees

At the end of 2021, BASF SE had 34,405 employees (2020: 34,484); of these, 2,076 were apprentices<sup>1</sup> (2020: 2,034). The decrease in the number of employees mainly affected the service units. We increased the number of employees in the operating divisions, especially in technical areas.

### Employee engagement

BASF can rely on the engagement of its employees. This is shown by a passion for the job, a dedication to top performance and a strong commitment to BASF. Global employee surveys and pulse checks are established feedback tools in the BASF Group and are used to actively involve employees in shaping their working environment. The results are communicated to employees, the Board of Executive Directors, the Supervisory Board and stakeholders. We have performed regular global employee surveys since 2008. We aim to keep the high level of employee engagement determined by these surveys and increase it even further as far as possible. As part

of the BASF strategy, we therefore set ourselves the following goal in 2018: More than 80% of our employees feel that at BASF, they can thrive and perform at their best. We regularly calculate the employee engagement level as an index score based on five questions on set topics in our employee surveys.

The most recent survey from 2020 revealed an engagement index of 82% (2019: 79%). Our aim is to keep this score above 80%. We support our leaders with a range of follow-up measures to centrally address individual action areas and in this way, help to further strengthen employee engagement together with their employees.

Pulse checks were carried out to identify and address employees' specific needs in 2021. For instance, employees in Germany were surveyed in the fall about their current work situation, flexible working, stresses caused by the coronavirus pandemic and team sentiment. Among other things, the results showed that employees feel safe working on-site and that employees who have been working flexibly since the start of the pandemic are coping well with it. We are deriving measures based on the findings to further improve, for example, cooperation and mutual understanding between employees who mainly work on-site and those who work flexibly. Regular global employee surveys remain a focus, and we plan to conduct the next survey in spring 2022.

### What we expect from our leaders

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

We offer our leaders a wide variety of learning and development opportunities for each phase of their career as well as various formats that enable them to learn from one another and external experts. Global, regional and local offerings are optimally coordinated. We aim to develop leaders who lead their teams with optimism, empathy and trust, and in this way, create a competitive advantage for BASF. In order to anchor the CORE Leadership Values in day-to-day life, an in-depth training course – CORE Leadership Upskilling – was offered in 2021. The virtual training comprised a series of modules that encouraged self-reflection and provided opportunities for global dialog. The training modules were initially

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

completed by all senior executives worldwide. Work in small, mixed groups aimed to deepen participants' understanding of the CORE Leadership Values, enable in-depth discussion of these and expand global networks. Since the fall of 2021, additional leadership levels have undergone training and activities modeled on CORE Leadership Upskilling.

Regular feedback plays an important role in the development of leaders. We have therefore adapted our global feedback tool to enable leaders to, in the future, even better reflect on how these values are anchored in their leadership behavior. Since 2020, various existing leadership development tools have been converted to virtual formats to optimally support our leaders – including during the challenging times of the coronavirus pandemic.

### Inclusion of diversity

The global character of our markets translates into different customer requirements. We want to reflect this diversity among our employees, too, because it enables them to better meet our customers' needs. For us, diversity means, among other things, having people from different backgrounds working at our company who can draw on their individual perspectives and skills to grow our business. By valuing and promoting employee diversity, we boost our teams' performance and power of innovation, and increase creativity, motivation and employees' identification with the company. Promoting and valuing diversity across all hierarchical levels is an integral part of our strategy and is also embedded in our corporate values. BASF strives to foster a working environment based on mutual respect, trust and appreciation. We expect inclusive conduct from all employees and our leaders. By this, we mean creating an environment in which different aspects of diversity and individual strengths are valued.

BASF has lived a diverse and appreciative corporate culture for years. The principles for fair and respectful conduct in the workplace were defined by BASF SE and the Works Council in 2021 with a new company agreement, "Partnerschaftliches Verhalten" ("Conduct based on partnership"). This provides a formal framework to maintain and further promote this culture in the future. BASF does not accept any form of discrimination and takes appropriate measures to protect employees from it. This includes the establishment of a commission with equal representation from the Works Council and the company as a point of contact for those affected. BASF also promotes diversity at the Ludwigshafen site in Germany with the inclusion action plan developed in 2021, putting the United Nations Convention on the Rights of Persons with Disabilities into practice. The action plan provides a framework to even better include people with disabilities. It covers all areas of working life: from vocational training and recruitment to employment and health management for people with disabilities. For example, the main building used for vocational training was retrofitted to enable an apprentice to access all areas with his wheelchair. Due to a serious private accident, he was unable to continue his original apprenticeship as a chemical

technician. Following a business internship, he was given the opportunity to train as an industrial commercial specialist. At the same time as the action plan, a new inclusion agreement between the company and the Works Council also came into force in 2021, regulating, for example, workplace design for people with disabilities, entitlement to additional leave or target group-specific health seminars.

Our leaders play an important role in promoting diversity and creating an inclusive work environment. We support them with various offerings, for example as part of leadership development. A toolbox with a wide range of content inspires a change of perspective and a podcast series from leaders shows the importance of appreciative, fair and inclusive leadership.

Integrating different perspectives is very important to BASF. There are a number of Employee Resource Groups around the world dedicated to different aspects of diversity. In addition, we want to create a greater awareness of diversity in our organization with various activities. BASF supports the German Diversity Charter and has participated in German Diversity Day and European Diversity Month with various virtual initiatives and offerings. At our Ludwigshafen site in Germany, we campaigned against racism and discrimination as part of the International Weeks Against Racism. 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. As part of pride month, employees again promoted openness, acceptance and tolerance with many activities to support the LGBTI movement at various sites around the world.

 For more information on the participation of women in leadership positions, see page 54 onward

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

### Managing demographic change

Longer working lives and an aging employee population remain relevant issues, especially in Germany. This is aggravated by the loss of expertise caused by growing declines in production and technical areas. Our aim is to leverage our employees' many years of experience as best possible, to offer them an adequate working environment and in this way, enable them to contribute to BASF SE in all stages of life. We see digitalization as an opportunity to proactively shape the effects of demographic change here.

BASF SE manages demographic change with various measures to address the different challenges, including knowledge management, flexible working arrangements, age-appropriate workplaces, and health and exercise programs.

We want to ensure the availability of qualified employees and safeguard existing knowledge over the long term, especially in production and in technological and digital areas. We perform demographic analyses to make the demographic situation for different operational job profiles transparent for the responsible leaders. For plants and

job profiles with a particularly critical age structure, we derive specific measures such as offerings for succession planning or needs-based knowledge transfer and assisted knowledge handover.

We also meet the high demand for skilled workers with specific qualification programs. In addition to our apprenticeship program, in 2021 we were able to fill around 100 positions in BASF Jobmarket GmbH's four-year lateral entry program to fill vacancies in production, for example. In this program, experienced workers from other professions obtain further qualifications for working as a chemical technician. By recruiting young apprentices and experienced career changers, we ensure a balanced age structure among our junior specialists.

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

 For more information on health protection, see page 18 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 attractiveness in the global labor markets.

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

In light of the coronavirus pandemic, we primarily used digital solutions for our talent search activities in 2021 and participated in a few in-person events. To also provide the best possible information on BASF as an employer virtually, we are continuously developing our digital presence. For example, we are represented at digital trade fairs and conferences, conduct digital excursions for students from various universities of sites in Germany, and organize expert lectures for future talent. This virtual contact enables a demand-oriented, flexible and location-independent approach. As a result, we were able to continue to attract and recruit talented employees.

In addition, we consistently take part in specific career events to directly reach and attract talent from various disciplines, especially female candidates. We focus in particular on our female employees as role models with various initiatives such as podcasts, career fairs and networking events aimed specifically at women, or on our social media channels.

In 2021, we established a digital onboarding process at BASF SE and a number of other sites for new employees and their managers in the period up to the first day of work and beyond. The aim is to ensure a successful first day at work and to build an early bond between the new colleagues and their future team at BASF, for example by sending video messages and information about the division and team. We want to continue to drive forward global implementation in 2022.

To combat the shortage of skilled workers in production and technical areas, due among other factors to demographic-related declines in Ludwigshafen, Germany, we have strengthened our social media presence, for example, to alert qualified specialists to new career prospects at BASF. In addition, we cooperate with local radio stations and the German employment agency to target skilled workers at informational events.

We once again achieved high scores in a number of employer rankings in 2021. For example, in a study conducted by Universum, young scientists ranked BASF as the second most attractive employer in Germany (2020: fifth).

## Vocational training

The heart of BASF's efforts to secure skilled labor is its training program, which combines future orientation and innovation with reliability and a long tradition. Training skilled workers is a key investment in BASF's competitiveness and future. Together with our partners, we provide individual support for our apprentices and prepare them for modern working life. We enable our apprentices to apply future-oriented technologies, working practices and methods, and we prepare them for the challenges of lifelong and independent learning. To continue to attract suitable candidates for apprenticeships at BASF in the future, we give school students in the career orientation phase insights into different training paths.

On-site career orientation events were limited in 2021 due to the pandemic. Consequently, existing online formats for the target group were further expanded and held in addition to face-to-face events, such as the digital apprenticeship info day, livestreams with apprentices, online job fairs and various webinars on career orientation. We ensured the best possible protection of apprentices and employees during practical on-site training with our infection prevention concept.

Digitalization is changing vocational training at BASF. Digital learning modules and methods are playing an increasingly important role in fostering individual learning. These proved especially useful during the coronavirus pandemic, when apprentices increasingly studied from home. It is the task of BASF vocational training to show them how to use new technologies and explore new ways of communicating knowledge. The vocational career path "industrial commercial specialist plus" (IK plus) was also enhanced and refined. From 2022,



under the IK plus pathway, prospective industrial commercial specialists will be able to specialize as European commercial specialists with extended foreign language skills or choose digitalization as a specialization. The focus here is increasingly on digital learning and working, digital technologies and business processes.

In order to meet the demand for skilled workers in technical professions, BASF offered, in addition to traditional vocational training, a one-year specialization program for electronics technicians who have completed vocational training for the first time in 2021. Alongside traditional dual vocational training, our Start program contributes to the social integration of low-achieving young people. For instance, 89 young people in the BASF Training Verbund participated in the Start in den Beruf program in 2021 in cooperation with partner companies in the Rhine-Neckar metropolitan region. The goal of the program 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. We spent around €2.4 million on the BASF Training Verbund in 2021.

BASF continues to provide high-level training at the Ludwigshafen site in Germany. In 2021, despite a challenging economic environment, BASF succeeded in keeping the total number of apprenticeships at the Ludwigshafen site constant and filling all available vocational program slots. After completing vocational training in 2021, 84% of apprentices at BASF SE received a job offer.

## 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 continuous, self-directed learning and learning from others. Employee development at BASF is guided by the belief that talent is in everyone. This means that development opportunities and support are open to all employees.

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

Digital learning formats play an important role in our development offerings. Even before the coronavirus pandemic, training for leaders and employees was updated to meet the challenges of the digital transformation and modern working life with appropriate learning formats and content. For example, platforms such as the Digital Campus, Digitalization & Me and the Ways of Working portal were enhanced and refined to support employees in all aspects of virtual collaboration and in building their digital skills. The continuous development of our employees’ digital skills will remain crucial going forward. The portfolio includes offerings for self-directed learning, as well as individual consulting and support for teams and leaders around the digital transformation. Employees and leaders can also hold joint workshops in an avatar-based 3D working and learning environment. In addition, the many academies in the divisions and service units also offer training on specific professional content.

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

Against the backdrop of the digital transformation, we support our leaders in questions about shaping the working world of the future. For example, the #liveitleadit program provides insights into various areas of the organization and the opportunity to discuss topics such as hybrid working or living a failure culture.

The coronavirus pandemic has fundamentally changed how we work. That is why our Future of Work @ BASF initiative addresses the question of how our teams can find the right balance between on-site and remote working to continue to perform at their best in the future. Connectedness and close dialog remain our number one priorities – both are key to team spirit, creativity and innovation. The wide range of jobs, tasks and local conditions make different working models necessary. To reflect this, our local teams are developing tailored solutions within global guidelines that meet individual requirements. Workshop concepts and training support the process. One example is the Flex Work @ LU project at the Ludwigshafen site in Germany. The focus is on the shift toward greater flexibility as well as practical solutions on how to maintain and strengthen connectedness in an increasingly hybrid working environment – from new office concepts to IT solutions and tips for teamwork. The ideas are tested together with pilot units. Successful concepts are made available to all units at the site in the form of a toolbox.

## Compensation and benefits

We want to attract and retain engaged and qualified employees, and motivate them to achieve top performance with a total offer package that includes 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 the global and local levels.

Representative analyses for BASF SE have shown that for comparable qualifications and positions, there is no systematic pay gap between men and women.

We want our employees to contribute to the company's long-term success. This is why the compensation granted to the vast majority of our employees includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles basically apply for all employees worldwide. The amount of the variable component is determined by economic success as well as the employee's individual performance. We use the BASF Group's return on capital employed (ROCE) to measure economic success for the purpose 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.

In numerous Group companies, our "plus" share program ensures employees' long-term participation in the company's success through incentive shares. In 2021, for example, over 17,300 BASF SE employees (2020: around 20,800) participated in the "plus" share program.

Since 2020, BASF has offered senior executives the opportunity to participate in a long-term incentive (LTI) program<sup>2</sup> in the form of a performance share plan. The LTI program has a term of four years and takes into account the development of the total shareholder return. It incentivizes the achievement of strategic growth, profitability and sustainability targets. To take part in this program, participants must hold BASF shares, the amount of which is based on their individual fixed compensation. In 2021, around 91% of the people eligible to participate in the LTI around the world did so, holding between 30% and 70% of their fixed annual compensation in BASF shares.

For more information, see the Notes on page 74

## Personnel expenses

BASF SE spent €4,014 million on wages and salaries, social security contributions and expenses for pensions and assistance in 2021 (2020: €3,533 million). Personnel expenses thus rose by 13.6%. The increase in wages and salaries is primarily attributable to variable compensation.

### Personnel expenses BASF SE

Million €

	2021	2020
Wages and salaries	3,130	2,839
Social security contributions and expenses for pensions and assistance	884	694
of which for pension benefits	392	257
<b>Total personnel expenses</b>	<b>4,014</b>	<b>3,533</b>

For more information, see the Notes on page 78

## 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. These include flexible working hours, part-time employment, remote working, and time off options that provide the necessary flexibility to care for children or family members. We are constantly working to expand these options and increasingly support the effective use of digital solutions here.

Our flexible tools proved helpful during the coronavirus pandemic. They help our employees to master the increased challenges around work and personal life during the pandemic and will continue to provide flexibility. We have developed a global policy and framework for the future of work to integrate the positive experiences from the surge in remote working into our working culture.

Regional initiatives specifically address the needs of our employees at a local level. For example, flexible co-working spaces in the Rhine-Neckar region in Germany were tested in pilot projects and a framework for potential future uses was developed.

Our Work-Life Management employee center in Ludwigshafen, Germany, (LuMit) offers a number of services under one roof: childcare, fitness and health, and social counseling and coaching offered by BASF Stiftung. Services were adapted so they could continue during the coronavirus pandemic based on the current coronavirus laws and local restrictions. By offering flexible all-day childcare, we want to make it easier for employees with children to return to work

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

<sup>2</sup> The LTI program referred to here is aimed at management levels 2 to 4 as well as individual employees who have attained senior executive status by virtue of special expertise.

more quickly and continue working for BASF SE, and to make the company an even more attractive employer for new employees. In 2021, childcare places and the related topic of childcare hours were newly regulated in the company agreement on childcare at BASF SE. We also provide employee assistance programs at other sites in Germany and around the world to help employees overcome difficult life situations and maintain and restore their employability. Social counseling and coaching also enabled employees and their families to receive extensive support during the coronavirus pandemic, for example by expanding telephone services.

### Dialog with employee representatives

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and continual 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, or in the case of codetermination-relevant topics, we involve employee representatives at an early stage to develop socially responsible implementation measures. In 2021, this happened in connection with the planned organizational realignment of research, for example. Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational conditions. The organizational protective measures taken during the coronavirus pandemic to date are backed by our employee representatives.

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

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

### International labor and social standards

We act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights,

the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). BASF is committed to complying with these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including 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 the topics in our global Code of Conduct under "Human rights, labor and social standards" as these relate to our employees.

It forms the basis for our global, risk-based management process: We regularly monitor changes to the national law of all the countries in which BASF operates and evaluate our adherence to international labor and social standards. If the national law contains no or lower requirements, action plans are drawn up to successively close these gaps in a reasonable time frame. If conflicts with national law or practices arise, we strive to act in accordance with our values and internationally recognized principles without violating the law of the country concerned. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is part of our central due diligence system. An additional component of our corporate due diligence is our training concept, which was enhanced and refined in 2021. It includes target group-specific training and e-learning modules as well as a global platform for internal dialog.

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

 For more information on our responsibility for human rights, see page 10 onward

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



## Compliance

Compliance topics relevant to BASF SE are presented on pages 58 and 59 of this Management's Report.

## Opportunities and Risks

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

In order to effectively measure and manage identified opportunities and risks, we quantify these where appropriate in terms of probability and economic impact in the event they occur. Where possible, we use statistical methods to aggregate opportunities and risks into risk factors. In addition, we use a qualitative evaluation scale for opportunities and risks if quantification is not possible. This enables us to not only evaluate economic impact but sustainability-related aspects as well. In this way, we achieve an overall view of opportunities and risks allowing us to aggregate risks at Group level and take effective risk management measures.

### Overall assessment

For 2022, we expect the overall economic recovery to continue and the coronavirus pandemic to weaken as the population becomes increasingly immunized. General economic uncertainty will nevertheless remain high. The course of the pandemic is difficult to predict; in particular, mutations of the coronavirus may lead to further waves of infection. This can result in production stoppages and supply chain disruptions in our customer industries, with our suppliers and in our own production plants. Moreover, restricted economic activity resulting from further lockdowns can have a significant negative impact on aggregate demand. In addition, an ongoing low supply of energy and raw materials and the resulting high prices could cause inflation rates to rise further. This could dampen the production of energy-intensive products and consumer demand beyond our assumed level of slowed growth.

An escalation of geopolitical conflicts as well as the ongoing trade conflicts between the United States and China and the associated slowdown of the economy also pose significant risks.

Opportunities will arise from stronger demand growth, in particular from a greater reduction in pandemic-related risks than assumed by our forecasts. Rapidly increasing global vaccination rates and the approval of effective antiviral drugs against COVID-19 could be contributing factors.

In addition to the uncertainties surrounding market growth and the development of key customer industries, material opportunities and risks for our earnings arise from margin volatility.

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

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

### Risk management process

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

#### Organization and responsibilities

- Risk management is the responsibility of the Board of Executive Directors, which also determines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the Corporate Center. Corporate Finance and Corporate Development, which are units within the Corporate Center, and the Chief Compliance Officer coordinate the risk management process at a Group level, examine financial and sustainability-related opportunities and risks, and provide the structure and appropriate methodology. Opportunity and risk management is thus integrated into the strategy, planning and budgeting processes.
- BASF's risk committee reviews the BASF Group's risk portfolio at least twice a year to evaluate any adjustments to risk-management measures and informs the Board of Executive Directors of these. Members of the risk committee are the president of Corporate Finance, the president of Corporate Development, the president of Corporate Legal, Compliance & Insurance and the heads of the Corporate Audit, Corporate Environmental Protection, Health & Safety, Corporate Treasury, and Group Reporting & Performance Management units.
- The management of specific opportunities and risks is largely delegated to the divisions, the service and research units and the regions, and is steered at a regional or local level. This also applies to sustainability-related topics relevant to BASF including the impact of climate change on BASF. A network of risk managers in the divisions, service and research units as well as in the regions advances the implementation of appropriate risk management practices in daily operations. Financial risks are an exception. The management of liquidity, currency and interest rate risks is conducted in the Corporate Finance department. The management of commodity price risks takes place in the Global Procurement unit or in authorized Group companies.
- The BASF Group's management is informed of short-term operational opportunities and risks that fall within an observation period of up to one year in the monthly management report produced by Corporate Finance. In addition, Corporate Finance provides information twice a year on the aggregated opportunity/risk exposure of the BASF Group. Furthermore, any arising individual risks which

- have an impact of more than €10 million on earnings or risks qualitatively evaluated to have a material impact, for example, reputational risks, must be reported immediately.
- As part of strategy development, the Corporate Development unit additionally 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. Scenarios were also developed to map possible developments beyond the ten-year horizon.
  - BASF's Chief Compliance Officer (CCO) manages the implementation of our Compliance Management System, supported by additional compliance officers worldwide. The CCO regularly reports to the Board of Executive Directors on the status of implementation as well as on any significant results and also provides a status report to the Supervisory Board's Audit Committee at least once a year, including any major developments. The Board of Executive Directors immediately informs the Audit Committee about significant incidents.
  - The internal audit unit (Corporate Audit) is responsible for regularly auditing the risk management system established by the Board of Executive Directors in accordance with section 91(2) of the German Stock Corporation Act. Furthermore, as part of its monitoring of the Board of Executive Directors, the Supervisory Board considers the effectiveness of the risk management system. The suitability of the early detection system we set up for risks is evaluated by our external auditor.

### Tools

- The Governance, Risk Management, Compliance (GRC) Policy, applicable throughout the Group, forms the framework for risk management and is implemented by the operating divisions, the service and research units and the regions according to their specific business conditions.
- A catalog of opportunity and risk categories helps to identify all relevant financial and sustainability-related opportunities and risks as comprehensively as possible. We also systematically assess opportunities and risks with effects that cannot yet be measured in monetary terms, such as reputational and climate risks. To reflect these, risks for companies in connection with the transition to a low-carbon economy (transition risks) as well as physical risks as defined by the Task Force on Climate-related Financial Disclosures (TCFD), among others, were added to the catalog.
- Because global climate policy ambitions and the implementation of the relevant measures play a decisive role in the ongoing growth of the chemical industry and its customer industries, global long-term scenarios (up to 2050) with various global warming paths were defined. To assess the impact of different global climate policy approaches on our business units, the scenarios were discussed by the business units in workshops. Their feedback will be incorporated into the further development of scenario assumptions and outcomes. A dataset of scenario-specific macroeconomic parameters will be provided to test the economic feasibility of investments and business strategies.

- We use standardized evaluation and reporting tools for the identification and assessment of risks. The aggregation of opportunities, risks and sensitivities at division and Group level using a Monte Carlo simulation helps us to identify effects and trends across the Group. We also aggregate qualitatively assessed risks at Group level using a risk portfolio.
- Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. Our global employee Code of Conduct firmly embeds these mandatory standards into everyday business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

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

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

Employees involved in the accounting and reporting process meet the qualitative requirements and participate in training on a regular basis. There is a clear assignment of responsibilities between the specialist units, companies and 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. They also work in accordance with the international risk management standard, COSO II Enterprise Risk Management – Integrated Framework.

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

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

The process for identifying, evaluating, managing and controlling risks related to preparing the Financial Statements as well as monitoring these processes comprises the following steps:

– **Evaluation of the control environment**

Adherence to internal and external guidelines that are relevant to 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, spot checks are carried out to test whether, in practice, the controls were executed as described and effective.

– **Monitoring of control weaknesses**

The responsible managers 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.

## Operational opportunities and risks

### Market growth

The development of our sales markets is one of the strongest sources of opportunities and risks. Stronger demand resulting from faster eradication of the coronavirus pandemic, for example through sustained efficacy and growing acceptance of coronavirus vaccines and drugs, will give rise to macroeconomic opportunities. A significant macro-economic risk arises from the possibility that measures to contain the coronavirus are kept in place for a longer period of time or augmented, and, as a result, negatively affect global supply chains and slow global economic growth. Further increases in energy prices, caused, for example by an escalation of the conflict between Russia and Ukraine, and the resulting higher inflation rates for manufacturer and consumer prices also pose a risk to the economy. Additional macroeconomic risks result from the escalation of other geopolitical conflicts and a renewed intensification of the trade conflict between the United States and China. Both can have a considerable impact on global demand for intermediate goods for industrial production and demand for investment goods.

### Margins

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

The year's average oil price for Brent crude was \$71 per barrel in 2021, compared with \$42 per barrel in the previous year. For 2022, we anticipate an average oil price of \$75 per barrel. We therefore expect price levels for the raw materials and petrochemical basic products that are important to our business to rise.

### 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/policy

Risks for us can arise from intensified geopolitical tensions, new trade sanctions, stricter emissions limits for plants, and energy and climate laws. In addition, changes in chemical regulations can affect both BASF SE's product portfolio and that of our customers, for example, on the use or registration of agrochemicals.

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

### Procurement 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, heat/cold waves and hurricanes) are increasing as a result of climate change. We address the risk of supply interruptions on the procurement and sales side caused by extreme weather conditions by switching to alternative logistics carriers and the possibility of falling back on unaffected sites within our global Verbund.

We implemented a package of climate resilience measures for our Verbund site in Ludwigshafen, Germany, to address low water levels on the Rhine River: We developed an early warning system for low water, created multimodal transportation concepts, chartered more ships that can navigate low water levels and, in cooperation with partners, developed a special type of ship designed for extreme low-water situations. These measures are already making longer periods of low water on the Rhine River more manageable.

### Investments and production

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

In the event of a production outage – caused by an accident, for example – our global, regional or local emergency response plans and crisis management structures are engaged, depending on the impact scope. Every region has crisis management teams on a local and regional level. They not only coordinate the necessary emergency response measures, they also initiate 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 caused by extended heat waves, which limit the available cooling capacity (for example, at the Ludwigshafen site in Germany). Appropriate precautions are taken at the sites in the case of a potential change in risk in connection with climate change. For example, over the past few years, the Verbund site in Ludwigshafen, Germany, has implemented several measures to increase cooling capacity, including expanding and optimizing the central recooling plants and optimizing cooling water flows. These are capable of preventing production outages due to extreme heatwaves.

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

### Acquisitions, divestitures and cooperations

We constantly monitor the market in order to identify possible acquisition targets and develop our portfolio appropriately. In addition, we collaborate 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 employs on a large number of IT systems. We use technologies such as big data and the Internet of Things to develop new business models, corporate concepts and strategies and to respond appropriately to changing customer behavior. IT system downtime, confidentiality breaches and the manipulation of data stored 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. These include 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.

The Cyber Defense Center was established in 2015 and is continuously being expanded in line with the growth in current requirements. BASF is also 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 internationally certified according to IDIN EN ISO/IEC 27001:2017.

### Legal disputes and proceedings

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

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

### Tax

The recognized tax-related opportunities and risks only concern taxes that impact BASF SE's EBIT in the short term. These arise when BASF has taken a position that differs from the opinion of a competent administrative authority. If a tax payment has already been made and could be reclaimed, this is presented as an opportunity. If, on the other hand, a potential payment is outstanding in accordance with the administrative opinion, this is a risk. We primarily evaluate opportunities and risks with regard to their probability of occurrence and, if necessary, set up a provision for the relevant risk. If a provision is not necessary, this is taken into account in determining EBIT-relevant risks of the BASF Group.

### Financial opportunities and risks

Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of financial instrument trading and back office functions.

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

### Exchange rate volatility

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

We incorporate planned purchase and sales transactions in foreign currencies into 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 individual hedging strategies, such as guarantees. Due to the global activities and diversified customer structure, there are no major concentrations of credit default risk.



### Impairment risks

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

### Long-term incentive program for senior executives

Since 2020, BASF has offered its leaders the opportunity to participate in a long-term incentive program (LTI program) in the form of a performance share plan. The LTI plan incentivizes the achievement of strategic growth, profitability and sustainability targets and takes into account the development of the BASF share price and the dividend. The need for provisions for this program varies according to assumptions on the degree of strategic target achievement, the development of the BASF share price and the dividend. This leads to a corresponding increase or decrease in personnel costs.

Until 2020, BASF offered leaders the opportunity to participate in a share price-based compensation program. The need for provisions for this program varies according to the development of the BASF share price and the MSCI World Chemicals Index; this leads to a corresponding increase or decrease in personnel costs.

### 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.

## Strategic opportunities and risks

### Long-term demand development

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

### Development of competitive and customer landscape

We expect competitors from Asia and the Middle East in particular to gain increasing significance in the years ahead. Furthermore, we predict that many producers in countries rich in raw materials will expand their value chains in consumer-oriented sectors. In addition, the proliferation of large-scale digital marketplaces for chemicals could impact existing customer and supplier relationships.

We expect a continuous rise in customer demand for sustainable solutions, for example, products with a low carbon footprint, made from recycled, circular, or bio-based raw materials that are biodegradable, or products with other measurable sustainability benefits. We are therefore addressing these topics in research and investment programs for the sustainable transformation of BASF. Companies with a proven track record of providing more sustainable solutions will be able to achieve higher growth and profitability as a result. The expansion of sharing economy business models could have a long-term impact on demand in individual customer industries. At the same time, higher demands on product features can also create opportunities for innovation.

To maintain our competitiveness, we are continuously improving our production processes, streamlining our administration and simplifying workflows and processes as part of our excellence programs. Our research and business focus is on highly innovative businesses and differentiation through sustainability advantages to make our customers and BASF more successful.



### Regulation/policy

We expect to achieve continued regulatory and societal pressure, climate-neutral energy production, climate-neutral energy consumption, and a climate-neutral resource and raw material base. The political approaches to address these issues will vary greatly from region to region. However, based on Europe in particular, we expect measures with a high level of regulation and detail that will have the potential to significantly impact the competitiveness of BASF's operations and product portfolio.

Furthermore, we see the risk of the current geopolitical shift in balance of power leading to the establishment of uncoordinated or divergent global legislative standards and regulatory systems, not just in relation to chemicals, but also to environmental, social and corporate governance criteria and the regulatory framework for digitalization.

We counter these risks as part of our corporate strategy. We explain our strategy in meetings with political decision-makers and social stakeholders. In doing so, we also inform ourselves of the changes we must undergo and advocate for a favorable and stable regulatory framework at both the national and international level. We consider BASF to be in a strong position to contribute solutions toward achieving U.N. development goals, particularly regarding climate neutrality, through new technologies, innovative products and processes and our broad product portfolio.

### Innovation

We expect the trend toward increased sustainability requirements in our customer industries to continue. Our aim is to leverage the resulting opportunities in a growing market with even more sustainable innovations. The key areas are products with a lower or even net zero carbon footprint, circular economy solutions, and safe and sustainable products. To be successful in these fields, we have launched specific research and investment programs for the sustainable transformation of BASF. Furthermore, we began applying the Sustainable Solution Steering method to the evaluation of innovation projects and integrated it at an early stage of our research and development processes. In this way, we are steering our innovation portfolio toward increased sustainability, which leads to higher profitability while reducing reputational and financial risks as well.

There are technical and commercial risks of failure associated with every single research and development project. We also address this by maintaining a balanced and comprehensive project portfolio as well as through professional, milestone-based project management.

Further risks may arise from increasing state protectionism and the demand for localization of intellectual property in order to achieve technological independence. Through our Know-how Verbund in research and development, we ensure that critical intellectual property is generated and protected in countries with high intellectual property standards.

We expect that the digital disruption of established processes will lead to a sharp increase in efficiency and effectiveness in some fields. BASF is therefore committed to taking a leading role in the digital transformation of the chemical industry. Possible applications of digital technologies and solutions are evaluated along the entire value chain and implemented throughout the company, for example, in production, logistics, research and development, business models and corporate governance.

### Procurement, supply chain and infrastructure

Supply security for raw materials, energy and services is increasingly affected by trade disputes, protectionism and geopolitical conflict. In addition, supply chains are increasingly threatened by disruptions such as suppliers' production bottlenecks, interrupted logistics chains, extreme weather events, and longer-lasting effects from the coronavirus pandemic. Climate change and extreme weather events are impacting the availability of renewable resources.

These risks, as well as the introduction of new environmental regulations (for example, carbon fees), can have an impact on purchasing prices. Transportation costs are significantly affected by capacity constraints (for example, a lack of truck drivers, traffic jams due to inadequate logistics infrastructure).

We are seeing an ongoing expansion of the regulatory framework affecting us and our suppliers. Potential non-compliance by our suppliers may lead to a reduced supplier base. Moreover, the availability of renewable energies depends largely on favorable prices and framework conditions.

These risks are continuously analyzed and appropriate strategies and measures developed to minimize the impact on BASF.

To assess the changing risks for our sites from climate change, climate data based on the latest scenarios of the Intergovernmental Panel on Climate Change (IPCC) were compiled for our sites in cooperation with an external partner. This enables the sites to assess the potential impact of climate change in the coming decades. Here, we focus on a climate protection scenario, supplemented by two scenarios with medium and high levels of global warming.<sup>1</sup> The most common potential impact is an increase in heat and drought. The findings can be considered in the development of site strategies.

<sup>1</sup> The assessment model was based on the IPCC climate change scenario SSP1-2.6, supplemented by SSP2-4.5 (medium global warming scenario) and SSP5-8.5 (high global warming scenario).

The availability of our infrastructure, production plants and supply chains can be negatively affected by system downtime, confidentiality breaches, or manipulation of data in critical IT systems and applications. The threat environment has changed in recent years, as attackers have become better organized, use more sophisticated technology, and have far more resources available.

### **Portfolio development through investments**

Regional value chains help mitigate risks from trade conflicts and barriers that pose a challenge to global markets and supply chains.

Decisions on the type, scope and location of our investment projects are made on the basis of established comprehensive assessment processes. They take into account long-term forecasts for market, margin and cost development, raw material availability as well as country, currency, sustainability and technology risks. Opportunities and risks arise from potential deviations in actual developments from our assumptions.

Investments in more sustainable technologies represent a long-term opportunity, even though they may not be competitive or profitable in the short term, depending on the market and the prevailing regulatory framework.

### **Acquisitions, divestitures and cooperations**

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

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

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

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

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

### **Sustainability**

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

We reduce potential risks in the areas of environmental protection, safety and security, health protection, product stewardship, compliance, supplier relationships and labor and social standards by setting ourselves globally uniform requirements. These sometimes go beyond local legal requirements. Our globally applicable Code of Conduct defines a binding framework for the activities of all employees, leaders and members of the Board of Executive Directors. To ensure compliance with our internal standards, we have global management systems in place and monitor their implementation internally by means such as global surveys and audits. Expectations of suppliers are laid down in our global Supplier Code of Conduct. We have suppliers with a high potential sustainability risk evaluated by third parties, either through sustainability evaluations or on-site audits. The monitoring systems are complemented by grievance mechanisms such as our compliance hotlines.

Furthermore, ongoing climate change poses both opportunities and risks for BASF. As an energy-intensive company, climate-related risks arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation. In addition, BASF's emissions footprint and intensity could lead to a negative perception and reduced appeal among external stakeholders such as customers or investors. We counter these risks with our carbon management measures and by transparently disclosing our positions on and contributions to climate protection (such as political demands, progress in the implementation of our climate strategy and how our products help to protect the environment) in publicly accessible sources (such as these Financial Statements or on the BASF website) and in direct dialog with external stakeholders.

In addition to climate-related risks, there are also opportunities. Our broad product portfolio includes, among other things, solutions for the circular economy and climate protection (such as insulation foams for buildings, materials for electromobility and bio-based products). Increased social awareness offers additional market opportunities for these products. We are working with numerous scientific and public organizations and initiatives on solutions for sustainable agriculture that meet economic, environmental, 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 2021.

## Outlook

### Global economic environment<sup>1</sup>

We expect the global economic recovery to continue in 2022. Global growth should be supported by the gradual containment of the coronavirus pandemic.

We assume the following conditions for 2022:

- We anticipate global GDP growth of 3.8% (2021: +5.8%).
- Overall, we anticipate moderate GDP growth of 3.6% (2021: 5.2%) in the European Union (E.U.). This will be driven in part by the economic upturn in the services sector and the gradual overcoming of supply difficulties that we anticipate for the industrial sector. Growth will also be supported by payments from the European Recovery and Resilience Facility. We expect the differences in growth rates between the E.U. member states to be less pronounced than in the previous year. The dynamic recovery in the western European countries that grew particularly strongly in 2021 (France, Italy) is expected to weaken somewhat, while Germany should see slightly stronger growth. In the eastern E.U. countries, we expect growth rates to converge at a similar level. We expect the recovery to continue in the United Kingdom, although this is subject to considerable uncertainty. In particular, labor shortages in logistics and hospitality may slow further recovery. Overall, we anticipate GDP growth of 3.8% there (2021: 7.5%).
- For the United States, we are forecasting growth of 3.8% (2021: 5.7%). We expect growth in the emerging markets of Asia to slow overall. In Japan, we expect growth momentum to pick up only slightly in the coming year (+2.5%) after weak growth of just 1.7% in 2021. In South America, growth is expected to weaken significantly in 2022.
- Overall, we anticipate growth of 3.8% (2021: 6.5%) in global industrial production.
- Global chemical production (excluding pharmaceuticals) is expected to grow by 3.5% in 2022, slower than in the previous year (2021: 6.1%) but still above the average for the years prior to the coronavirus pandemic.
- We anticipate an average oil price of \$75 for a barrel of Brent crude and an exchange rate of \$1.15 per euro.

For the years from 2022 to 2024, we expect the global economy to grow at an average annual rate of 3.2%.

### Sales and earnings forecast<sup>2</sup>

Considering the assumptions described above for the development of the global economic environment, we expect sales in 2022 – excluding the effects of acquisitions and divestitures – to increase slightly compared with the previous year. Income from operations in 2022 should be considerably higher than in the reporting year. In 2021, income from operations was negatively impacted in particular by inventory valuation effects and expenses for pension obligations.

### Investment forecast

We are planning capital expenditures of around €2.2 billion for 2022 to 2024. 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 40 to 48.

### Dividend

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

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

<sup>2</sup> For sales, "slight" represents a change of 0.1%–5.0%, while "considerable" applies to changes of 5.1% and higher. "At prior-year level" indicates no change (+/-0.0%). For earnings, "slight" means a change of 0.1%–10.0%, while "considerable" is used for changes of 10.1% and higher. "At prior-year level" indicates no change (+/-0.0%).

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

### Corporate Governance Report

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

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

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

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

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

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

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

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

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

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

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

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

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

- Early identification of suitable leaders of different professional backgrounds, nationalities and genders

- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions
- Desire to shape strategic and operational decisions, and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting corporate values into practice

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

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

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

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

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

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

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board of Executive Directors on management issues. As members of the Supervisory Board may not 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 SE 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. Six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group. In accordance with the resolution of the Annual Shareholders' Meeting on June 18, 2020, the period of appointment for newly elected members of the Supervisory Board was reduced from five to four years; and the Statutes were amended accordingly. This ensures that the maximum membership duration of 12 years up to which a Supervisory Board member can be classified as independent corresponds to a total of three election terms. In accordance with the German Corporate Governance Code (Code 2020), the Supervisory Board reduced the membership duration used as a basis for its independence rating from 15 to 12 years in December 2019.

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

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



## Personnel Committee

### Members

Dr. Kurt Bock\* (chair)  
 Franz Fehrenbach  
 Sinischa Horvat\*  
 Michael Vassiliadis

### Duties

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

## Audit Committee

### Members

Dame Alison Carnwath DBE\* (chair)  
 Tatjana Diether\*  
 Anke Schäferkordt\*  
 Michael Vassiliadis

### Duties

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

approval and disclosure requirements; grants approval of related party transactions

- Is authorized to request any information that it deems necessary from the auditor or from the Board of Executive Directors and has a direct right to information from the heads of central departments such as Corporate Audit or Compliance; can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections

### Financial experts

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

## Nomination Committee

### Members

Dr. Kurt Bock\* (chair)  
 Prof. Dr. Thomas Carell\*  
 Dame Alison Carnwath DBE\*  
 Liming Chen\*  
 Franz Fehrenbach  
 Anke Schäferkordt\*

### Duties

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

## Strategy Committee

### Members

Dr. Kurt Bock\* (chair)  
 Dame Alison Carnwath DBE\*  
 Franz Fehrenbach  
 Waldemar Helber\*  
 Sinischa Horvat\*  
 Michael Vassiliadis

### Duties

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

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 53 for the criteria used to determine independence)

## Meetings and meeting attendance

In the 2021 business year, meetings were held as follows:

- The Supervisory Board met five times.
- The Personnel Committee met three times.
- The Audit Committee met five times.
- The Nomination Committee met twice.
- The Strategy Committee did not meet.

All members attended all meetings of the Supervisory Board. The meetings of the Supervisory Board committees were also attended by all respective committee members.

Due to the coronavirus pandemic, the meetings of the Supervisory Board and its committees in the 2021 business year were held in accordance with appropriate safety measures and in compliance with restrictions on assembly and travel as per the applicable infection prevention laws. They took place as in-person meetings with the additional option of virtual attendance via electronic communication.

## 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. For the election of shareholder representatives to the Supervisory Board, individuals shall be nominated to the Annual Shareholders' Meeting who can, based on their professional expertise and experience, integrity, commitment, independence and character, successfully perform the work of a supervisory board member at an international chemical company.

### Competence profile

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

- Leadership experience in managing companies, associations and networks
- Members' collective knowledge of the chemical sector and the related value chains

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

### Diversity concept

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

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

### Further composition objectives

- **Character and integrity:** All members of the Supervisory Board must be personally reliable and have the knowledge and experience required to diligently and independently perform the work of a supervisory board member.
- **Availability:** Each member of the Supervisory Board ensures that they invest the time needed to properly perform their role as a member of the Supervisory Board of BASF SE. The statutory limits on appointments to governing bodies and the recommendations of the German Corporate Governance Code must be complied with when accepting further appointments.
- **Age limit and period of membership:** Persons who have reached the age of 72 on the day of election by the Annual Shareholders' Meeting should generally not be nominated for election. Membership on the Supervisory Board should generally not exceed three regular statutory periods in office, which will correspond to 12 years in the future.
- **Independence:** To ensure the independent monitoring and consultation of the Board of Executive Directors, the Supervisory Board should have an appropriate number of independent members on the board as a whole, and an appropriate number of independent shareholder representatives. The Supervisory Board deems this to be the case if more than half of the shareholder representatives and at least eight members of the Supervisory

Board as a whole can be considered independent. The Supervisory Board's assessment of independence is based on the criteria in the current version of the German Corporate Governance Code (2020 Code). Among other things, this means that members of the Supervisory Board are no longer considered independent if they have been a member of the board for 12 years or longer. The Supervisory Board has additionally defined the following principles to clarify the meaning of independence: The independence of employee representatives is not compromised by their role as an employee representative or employment by BASF SE or a Group company. Prior membership of the Board of Executive Directors of BASF SE does not preclude independence following the expiry of the statutory cooling-off period of two years. Material transactions between a Supervisory Board member or a related party or undertaking of the Supervisory Board member on the one hand, and BASF SE or a BASF Group company on the other, exclude a member of the Supervisory Board from being qualified as independent. A material transaction is defined as one or more transactions in a single calendar year with a total volume of 1% or more of the sales of the companies involved in each case. In the same way, if a Supervisory Board member or a related party of a Supervisory Board member has a personal service or consulting agreement with BASF SE or one of its Group companies with an annual compensation of over 50% of the Supervisory Board compensation, they do not qualify as independent. Furthermore, if a Supervisory Board member or a related party of a Supervisory Board member holds more than 20% of the shares in a company in which BASF SE is indirectly or directly the majority shareholder, the necessary independence is also not met.

### Status of implementation

According to the Supervisory Board's own assessment, its current composition meets all of the requirements of the competence profile: Nine (five shareholder representatives and four employee representatives) of the 12 current members are considered independent based on the above criteria. As of January 2020, shareholder representative Franz Fehrenbach is no longer classified as independent, because he has been a member of the Supervisory Board since January 2008 and no longer meets the criterion of a membership duration of less than 12 years. Franz Fehrenbach will retire from the Supervisory Board on conclusion of the Annual Shareholders' Meeting on April 29, 2022. Employee representative Denise Schellemans, who has also been a member of the Supervisory Board since January 2008, and employee representative Michael Vassiliadis, who has been a member of the Supervisory Board since August 2004, are likewise no longer considered independent.

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

The Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) and the assurance statement of the substantive and formal audit issued by the auditor, the effective compensation system for the Board of Executive Directors in

accordance with section 87a AktG, as well as the most recent resolution of the Annual Shareholders' Meeting on the compensation of the Supervisory Board in accordance with section 113(3) AktG have been made publicly available on the BASF website at [basf.com/compensationreport](https://www.basf.com/compensationreport).

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

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

As a target figure for the Board of Executive Directors according to section 111(5) AktG, the Supervisory Board determined that for the target-attainment period under the German Act on Equal Participation of Men and Women in Management Positions (FüPoG I & II) from January 1, 2017, to December 31, 2021, the Board of Executive Directors of BASF SE 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). Following the entry into force of the German Second Act on Equal Participation of Men and Women in Management Positions (FüPoG II), if the management board of a listed company consists of more than three persons, at least one woman and one man must be members of the management board (section 76(3a) AktG). There have been two female Board members since the appointment of Dr. Melanie Maas-Brunner to the Board of Executive Directors, effective as of February 1, 2021. Since Wayne T. Smith's departure from the Board of Executive Directors on May 31, 2021, the proportion of women has been 33.3%.

The Board of Executive Directors also decided on new target figures for the proportion of women in the two management levels below the Board of Executive Directors of BASF SE: For the second target-attainment period that ended on December 31, 2021, these targets were 12.1% for the proportion of women in the management level directly below the Board, and 7.3% for the level below that. This corresponded to the status at the time these target figures were determined. At the end of the concluded target-attainment period, women made up 20.0% of the management level directly below the Board and 23.2% of the level below that. Both targets were therefore significantly exceeded. For the next target-attainment period from January 1, 2022, to December 31, 2026, the Board of Executive Directors resolved as targets the quotas achieved as of December 31, 2021: 20.0% for the proportion of women in the management level directly below the Board and 23.2% for the level below that.

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

## Shareholders' rights

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

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the beginning of the voting process during the Annual Shareholders' Meeting. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders entered in the share register are entitled to participate in the Annual Shareholders' Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as this is necessary to make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Annual Shareholders' Meeting and to contest resolutions of the Meeting and have them evaluated for their lawfulness in court. Shareholders who hold at least €500,000 of the company's share capital, a quota corresponding to 390,625 shares, are furthermore entitled to request that additional items be added to the agenda of the Annual Shareholders' Meeting.

Due to assembly restrictions resulting from the coronavirus pandemic, the 2021 Annual Shareholders' Meeting again took place

virtually without the physical presence of shareholders in accordance with special regulations prescribed by the German Act on Measures in Corporate Law, the Law of Cooperatives, Associations and Foundations and Residential Property Law to Combat the Effects of the COVID-19 Pandemic (GesRueaCOVBekG), which was passed by the lower house of the German parliament (Bundestag) in March 2020 and extended until the end of 2021 with few amendments. To ensure legally compliant execution of this special Annual Shareholders' Meeting format, whereby shareholders participated solely via electronic communication, some of the aforementioned shareholder rights and options for action were limited or handled in an exceptional manner at this virtual meeting. After again being extended by the Bundestag, these special provisions are valid for Annual Shareholders' Meetings until August 31, 2022, as well.

## Implementation of the German Corporate Governance Code

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

For more information on the Declaration of Conformity 2021, 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, 2021, the subscribed capital of BASF SE was €1,175,652,728.32, divided into 918,478,694 registered shares with no par value. Each share entitles the holder to one vote at the Annual Shareholders' Meeting. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates. There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, section 16 of the SE Implementation Act and sections 84 and 85 AktG as well as Article 7 of the Statutes of BASF SE. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chair, as well as one or more vice chairs. The members of the Board of Executive Directors are appointed for a maximum of five years. The maximum initial term of appointment is three years. Reappointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular,

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

According to Article 59(1) of the SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Shareholders' Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, section 179(2) of the German Stock Corporation Act requires a majority of at least three-quarters of the subscribed capital represented. Pursuant to Article 12(6) of the Statutes of BASF SE, the Supervisory Board is authorized to resolve on amendments to the Statutes that merely concern their wording. This applies in particular to the adjustment of the share capital and the number of shares after the redemption of repurchased BASF shares and after an 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 shareholders' subscription right in certain exceptional cases – as defined in Article 5(9) of the BASF SE Statutes.

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

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

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

By contrast, employees of BASF SE and its subsidiaries who are classed as senior executives will still receive a severance payment if their contract of employment is terminated by BASF within 18 months of a change of control event, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a maximum severance payment of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change of control event. A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. The remaining specifications stipulated in section 289a HGB refer to situations that are not applicable to BASF SE.



### **Directors' and officers' liability insurance**

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

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

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

### **Share dealings of the Board of Executive Directors and Supervisory 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 (for example, shares, bonds, options, forward contracts, swaps) to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €20,000. In 2021, 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 18 and 2,500 BASF shares or BASF ADRs (American Depositary Receipts). The price per share was between €61.08 and €72.00. The volume of the individual trades was between €1,217.41 and €171,694.75. The disclosed share transactions are published on BASF SE's website.



## Compliance

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

### Compliance Program and Code of Conduct

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

The revised 2020 version also offers our employees user-friendly features such as case studies, FAQs and additional references. The corresponding internal online platform and app are available to employees worldwide, providing them continuously with up-to-date content such as videos and links to other specialist units and guidelines as well as direct contact to subject specialists.

A new platform for publishing binding Group-wide governance documents (policies, corporate requirements) provides a more effective search function to make it easier for employees to find relevant regulations. In addition, the managing directors of BASF Group companies can now find important information and assistance on ensuring compliance in their Group companies on an internal website set up especially for them.

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

We perform a systematic risk assessment to identify the risk of compliance violations, including corruption risks. These are conducted at divisional, regional and country levels, with an additional focus on Group companies in 2021. The regular compliance audits performed by the Corporate Audit department are another source of information for the systematic identification of risks. These risks are documented in the relevant risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in the prevention of compliance violations is compulsory training and workshops held as classroom or online courses. All employees are required within a prescribed time frame to take

part in basic compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Newly appointed senior executives also receive special training on leading with integrity. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 53,000 participants worldwide received over 79,000 hours of compliance training in 2021.

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. Our compliance standards were consolidated in the global Code of Conduct in 2013 and republished in June 2020 in our currently applicable global Code of Conduct. They are firmly established and recognized. We expect all employees to act in line with these compliance principles. Managers play a key role here – they serve as an example of and communicate our values and culture both internally and externally. To specifically address compliance and integrity as a leadership task, a workshop series was held in 2021 with more than 130 senior executives.

### Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. The CCO is supported in this task by the Compliance unit and more than 100 compliance officers worldwide in the regions and countries as well as in the divisions, service units and in the Corporate Center. 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 supervisors, specialist departments, such as the Legal department, and company compliance officers. The internal platform and the corresponding app also help employees to access advice by enabling direct contact. In addition, we have set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report potential violations of laws or company guidelines. We enhanced and standardized these hotlines in 2021. An independent external company was engaged to manage all hotlines. In the future, the cases reported will be recorded and processed in one global system. In addition to local phone numbers, a new website now also makes it possible to get in contact online using a computer or smartphone. All hotlines and the website are also open to the public.

Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2021, 277 reports were received by our external hotlines (2020: 387). The information received related to all categories of our Code of Conduct, including environmental and human rights issues, corruption and handling of company property. We carefully investigated all cases of suspected misconduct that came to our attention and, when necessary, took countermeasures on a case-by-case basis. These included, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. In such isolated cases, we took disciplinary measures in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success. In 2021, violations of our Code of Conduct led to termination of employment in a total of 32 cases (2020: 31). This relates to diverse employee groups, including 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 2021, 77 audits of this kind were performed Group-wide (2020: 61). 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. In cooperation with an external consulting firm, we developed a comprehensive action plan in 2021 to ensure the systematic, continuous optimization of the compliance management system.

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

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

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

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

## Declaration of Conformity

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### **Declaration of Conformity 2021 of the Board of Executive Directors and the Supervisory Board of BASF SE**

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

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

Ludwigshafen, December 2021

**The Supervisory Board**  
of BASF SE

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

# Management and Supervisory Boards

## Board of Executive Directors

There were six members on the Board of Executive Directors of BASF SE as of December 31, 2021. As part of its long-term succession planning and in line with its diversity concept, the Supervisory Board appointed Dr. Melanie Maas-Brunner as a member of the Board of Executive Directors on December 17, 2020. The Board of Executive Directors therefore temporarily comprised seven members from February 1, 2021, until the departure of Wayne T. Smith as of May 31, 2021. Some of the responsibilities within the Board of Executive Directors were reallocated effective June 1, 2021, as a result of this change.

### The composition of the Board of Executive Directors and the responsibilities of individual members are as follows (as of February 21, 2022):

#### Dr. Martin Bruder Müller

Chairman of the Board of Executive Directors

Degree: Chemistry, 60 years old, 34 years at BASF

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

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

**Supervisory board mandates within the meaning of section 100(2) of the German Stock Corporation Act:**

Mercedes-Benz Group AG<sup>1</sup> (until January 31, 2022: Daimler AG) (member of the Supervisory Board since March 31, 2021)

Mercedes-Benz AG (Mercedes-Benz Group AG group company) (member of the Supervisory Board since April 22, 2021)

#### Dr. Hans-Ulrich Engel

Vice Chairman of the Board of Executive Directors

Degree: Law, 62 years old, 34 years at BASF

**Responsibilities:** Corporate Finance; Corporate Audit; Corporate Taxes & Duties; Global Business Services; Global Digital Services; Global Procurement

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

**Supervisory board mandates within the meaning of section 100(2) of the German Stock Corporation Act:**

Wintershall Dea AG (Chairman of the Supervisory Board since November 2, 2021; Deputy Chairman of the Supervisory Board until November 1, 2021)<sup>2</sup>

Wintershall AG (Chairman of the Supervisory Board)<sup>2</sup>

**Comparable German and non-German supervisory bodies:** Nord Stream AG (member of the Shareholders' Committee)

#### Saori Dubourg

Degree: Business, 50 years old, 25 years at BASF

**Responsibilities:** Agricultural Solutions; Care Chemicals; Nutrition & Health; Europe

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

**Supervisory board mandates within the meaning of section 100(2) of the German Stock Corporation Act:**

Wintershall Dea AG (member of the Supervisory Board)<sup>2</sup>

#### Michael Heinz

Degree: MBA, 57 years old, 38 years at BASF

**Responsibilities:** Monomers; Performance Materials; Petrochemicals; Intermediates; North America; South America

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

**Supervisory board mandates within the meaning of section 100(2) of the German Stock Corporation Act:**

Wintershall Dea AG (member of the Supervisory Board)<sup>2</sup>

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

BASF Antwerpen N.V.

(Chairman of the Administrative Council until May 31, 2021)

#### Dr. Markus Kamieth

Degree: Chemistry, 51 years old, 23 years at BASF

**Responsibilities:** Catalysts; Coatings; Dispersions & Resins; Performance Chemicals; 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 until December 31, 2021)

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

Degree: Chemistry, 53 years old, 25 years at BASF

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

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

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

BASF Antwerpen N.V.

(Chairwoman of the Administrative Council since June 1, 2021)

#### Wayne T. Smith (until May 31, 2021)

Degrees: Chemical Engineering, MBA, 61 years old, 17 years at BASF

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

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

Inter Pipeline Ltd. (member of the Board of Directors)

<sup>1</sup> Publicly listed

<sup>2</sup> Internal membership within the meaning of section 100(2) sentence 2 of the German Stock Corporation Act

## Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises 12 members. The term of office of the Supervisory Board commenced following the Annual Shareholders' Meeting on May 3, 2019, in which the shareholder representatives on the Supervisory Board were elected. In accordance with the applicable article of the Statutes as of the date of election, it terminates upon conclusion of the Annual Shareholders' Meeting that resolves on the discharge of members of the Supervisory Board for the fourth complete business year after the term of office commenced; this is the Annual Shareholders' Meeting on April 25, 2024.

### The Supervisory Board comprises the following members (as of February 21, 2022):

#### Dr. Kurt Bock, Heidelberg, 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 2018)

**Member of the Supervisory Board since:** June 18, 2020

#### **Memberships of statutory supervisory boards in Germany:**

Fuchs Petrolub SE<sup>3</sup> (chair)  
Bayerische Motoren Werke Aktiengesellschaft<sup>3</sup> (member)

**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  
Former Chairman of the Supervisory Board of Robert Bosch GmbH (until December 31, 2021)

**Member of the Supervisory Board since:** January 14, 2008

#### **Memberships of statutory supervisory boards in Germany:**

Robert Bosch GmbH<sup>4</sup> (chair until December 31, 2021)  
Stihl AG<sup>3</sup> (Stihl Holding AG & Co. KG group company) (vice chair)

**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 of Organic Chemistry at Ludwig Maximilians 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:**

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

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

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)

Asda Group Limited<sup>4</sup> (non-executive member of the Board of Directors since December 1, 2021)

EG Group Holdings Limited<sup>4</sup> (non-executive member of the Board of Directors and chair of the audit committee since March 1, 2021)

#### Liming Chen, Beijing, China\*<sup>1</sup>

Chairman IBM Greater China Group

**Member of the Supervisory Board since:** October 8, 2020

**Memberships of statutory supervisory boards in Germany:** none

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

IBM China Investment Company Ltd.<sup>4</sup> (chair, intragroup membership)

IBM (China) Company Ltd.<sup>4</sup> (chair, intragroup membership)

IBM Global Services (DaLian) Company Limited<sup>4</sup> (chair, intragroup membership)

IBM Solution and Services (ShenZhen) Company Ltd.<sup>4</sup> (chair, intragroup membership)

IBM Financing and Leasing Company Ltd.<sup>4</sup> (chair, intragroup membership)

IBM Factoring (China) Company Ltd.<sup>4</sup> (chair, intragroup membership)

Inspur Power Commercial Systems Company Ltd.<sup>4</sup> (chair, intragroup membership)

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 53 for the criteria used to determine independence)

<sup>1</sup> Shareholder representative

<sup>2</sup> Employee representative

<sup>3</sup> Publicly listed

<sup>4</sup> Not publicly listed

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

Deputy Chairwoman of the Works Council of BASF SE, Ludwigshafen Site, and member 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>**

Member of the Works Council of BASF SE, Ludwigshafen Site

**Member of the Supervisory Board since:** April 29, 2016

**Memberships of statutory supervisory boards in Germany:** none

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

**Anke Schäferkordt, Cologne, Germany\*<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)

Bayerische Motoren Werke Aktiengesellschaft<sup>3</sup> (member)

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

Wayfair Inc.<sup>3</sup> (non-executive director)

**Denise Schellemans, 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)

Villeroy & Boch AG<sup>3</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 chair)

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

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 53 for the criteria used to determine independence)

<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,*

BASF's business developed extremely well in 2021. Growth and earnings were considerably higher than expected at the beginning of the year. The Board of Executive Directors decisively seized the opportunities that arose, strengthened BASF's overall competitiveness and laid important groundwork for the future. They did so in an exceptionally challenging environment, including a sharp rise in raw materials and energy prices, strained conditions in many international supply chains, and problems with production and volumes in the automotive industry, which is particularly important for BASF. In addition, political tensions have increased and global economic activity has become even more demanding overall. Most of these factors will continue to challenge us in 2022.

The Board of Executive Directors has enhanced and refined the portfolio and driven forward important investments for profitable growth. Above all, it defined ambitious targets to further reduce CO<sub>2</sub> emissions at an early stage and presented a package of measures aimed at increasing sustainability in the BASF Group. The underlying conditions vital to this, such as the European Green Deal and upcoming regulation of the chemical industry in the E.U., are currently difficult to assess and were the subject of in-depth discussion.

The Supervisory Board expressly supports this approach and is following it closely, both in an advisory capacity and through regular and critical monitoring. It would like to thank the Board of Executive Directors and all employees worldwide for their dedication, extraordinary work and outstanding results in the 2021 business year.

We will drive forward change in the Supervisory Board, too. Anke Schäferkordt, Franz Fehrenbach, Denise Schellemans, Waldemar Helber and Roland Strasser will resign from the Supervisory Board on conclusion of the Annual Shareholders' Meeting on April 29, 2022. As a result, its composition will once again change quite significantly compared with the start of the current term of office in 2019.

Unfortunately, the new shareholder representatives will again not be able to be elected at a physical Annual Shareholders' Meeting in 2022. The Supervisory Board deeply regrets this, as it believes that it is the ideal place to discuss BASF's development with you. However, after intensive consultation, the Supervisory Board concurred with the Board of Executive Directors' assessment that, from today's perspective, it will not be possible to hold a physical Annual Shareholders' Meeting in a responsible manner at the end of April this year given the current situation.

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

In 2021, 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. Regular topics of discussion were occupational and process safety and matters relating to sustainability, the environmental and social impact of the company's activities and the challenges of climate change for the future development of BASF's business. The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director's company leadership.


The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings. The Chairman of the Supervisory Board was always promptly and comprehensively informed of current developments and significant individual issues. The Supervisory Board was involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on all of those individual measures taken by the Board of Executive Directors which by law or the Statutes required the approval of the Supervisory Board.

## Supervisory Board meetings

The Supervisory Board held five meetings in the 2021 business year, each of which was attended by all members. The meetings were held in person with most Supervisory Board members physically present. Only at the meeting prior to the virtual Annual Shareholders' Meeting did the majority of members also participate virtually. 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 investment projects (current and planned), operational excellence, important aspects of economic, environmental and social sustainability, developments on the capital markets, significant managerial measures taken by the Board of Executive Directors, and innovation projects.

In all meetings held in 2021, the Supervisory Board also discussed the progress of major investments and ongoing portfolio projects. Discussions focused on:

- The development of the joint venture Wintershall Dea created by the merger of the oil and gas businesses of BASF and LetterOne
- The investment in a joint venture with Shanshan to produce battery materials in China
- The progress and opportunities and risks of the investment project to establish a new Verbund site in southern China
- The progress and completion of the sale of the pigments business

Important topics addressed by the Supervisory Board, which were discussed with the Board of Executive Directors at all meetings, were the effects, challenges and opportunities of climate change and, in particular, the European Green Deal and the resulting changes in the regulatory environment. The Supervisory Board is convinced that the successful management of the necessary, fundamental transformation process, which affects all stages of the value chain, is key to BASF's future and long-term success, not least with regard to society's and investors' likely expectations. These topics were also the main focus of the Supervisory Board's strategy meeting in October 2021.

At its meeting on February 24, 2021, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2020 business year as presented by the Board of Executive Directors. It also discussed the agenda for the Annual Shareholders' Meeting on April 29, 2021, and adopted its proposals for resolutions. Since, due to the continuing effects of the coronavirus pandemic, the Supervisory Board considered it impossible to hold a physical meeting, it agreed to again hold the Annual Shareholders' Meeting as a virtual event without the physical presence of shareholders. Other topics discussed at the meeting were business conditions and development as well as opportunities and risks for BASF's business in China, the world's largest chemical market, the project to construct a new Verbund site in southern China, and current

business developments, opportunities and challenges in the Petrochemicals division.

The Supervisory Board met on April 28, 2021, one day before the virtual Annual Shareholders' Meeting, primarily to prepare for the Annual Shareholders' Meeting. Another topic was the shareholding in the Wintershall Dea joint venture.

The main agenda items at the meeting on July 22, 2021, were BASF's leadership development and personnel concept, the development and management of pension obligations, the development of the Global Business Services unit, and market opportunities and risks in connection with the European Green Deal.

At the strategy meeting on October 21/22, 2021, the Board of Executive Directors and the Supervisory Board discussed at length the status of implementation of the corporate strategy with a particular focus on growth, strengthening profitability and portfolio development, as well as key aspects of BASF's strategic development. These included:

- The development of research and development activities
- E-mobility and the transformation of the automotive industry as factors influencing the development of the BASF Group
- Market prospects and growth opportunities in China as the largest regional market for chemical products; growth projects such as the Verbund site in southern China and the further expansion of the battery materials business
- Climate change and the European Green Deal and their effects on BASF, as well as the resulting development paths, opportunities and risks
- The status, development and prospects of selected BASF business areas

At its meeting on December 16, 2021, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning, including the investment budget for 2022, and, as in previous years, authorized the Board of Executive Directors to procure the necessary financing in 2022 within a set limit. In addition, the Supervisory Board discussed the Board of Executive Directors' recommendation that, given the uncertainty surrounding the further development of the coronavirus pandemic and potential restrictions, the Annual Shareholders' Meeting on April 29, 2022, is also held as a virtual event. The Supervisory Board agreed to this following extensive deliberation and consideration of the resulting, unavoidable restrictions of shareholder rights compared with a physical meeting.

## Compensation and composition of the Board of Executive Directors

In several meetings over the 2021 business year, the Supervisory Board discussed and passed resolutions on the compensation of the Board of Executive Directors. Matters relating to the composition of the Board of Executive Directors did not arise in 2021.

At its meeting on February 24, 2021, the Supervisory Board deliberated and agreed on the 2021 targets for the Board of Executive Directors based on the preparations of the Personnel Committee. It also discussed and resolved on the final performance factors for the Board of Executive Directors' short-term and long-term incentives for 2020. At its meeting on December 16, 2021, the Supervisory Board evaluated, based on the discussions and the corresponding recommendation of the Personnel Committee, the Board of Executive Directors' performance in 2021 and set the performance factor for the short-term incentive 2021 and the strategic performance factors for the deferral compensation components for 2018–2021 and 2019–2022. The Chairman of the Supervisory Board abstained from the resolution on the factor for the performance bonus for 2018–2021 as this affected him personally.

For more information on the compensation of the Board of Executive Directors and the Supervisory Board, see the Compensation Report, which has been made publicly available on the company's website at [basf.com/compensationreport](https://basf.com/compensationreport)

## Committees

The Supervisory Board of BASF SE has four committees: 1. the committee for personnel matters of the Board of Executive Directors and the granting of loans in accordance with section 89(4) of the German Stock Corporation Act (Personnel Committee); 2. the Audit Committee; 3. the Nomination Committee; and 4. the Strategy Committee. Following each Committee meeting, the chairs of the Committees reported in detail about the meetings and the activities of the Committees at the subsequent meeting of the Supervisory Board.

For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report on pages 51 to 54

The **Personnel Committee** met three times during the reporting period. All committee members attended all meetings. At its meeting on February 24, 2021, the Personnel Committee discussed the targets for the Board of Executive Directors for the 2021 business year and the 2020 Compensation Report. At its meeting on July 21, 2021, the Personnel Committee addressed the status of leadership development at the top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors. At its meeting on December 16, 2021, the Personnel Committee discussed the appropriateness of the compensation of the Board of Executive Directors, the assessment of the Board's performance in 2021 and a proposal for the performance-related variable compensation of the Board of Executive Directors.

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. The Audit Committee is also responsible for monitoring the internal process for identifying related party transactions and adopting resolutions to approve related party transactions.

At the meeting on February 22, 2022, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2021 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the Nonfinancial Statements of BASF SE and the BASF Group, as well as the Compensation Report of BASF SE in accordance with section 162 AktG, which had been audited by the external auditor. In preparation for the audit of the Nonfinancial Statements, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a limited assurance and issue an assurance report on it. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 21, 2021, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting on April 29, 2021 – with the audit for the 2021 reporting year and auditing fees were agreed upon. The focus areas and scope of the annual audit were discussed and defined together with the auditor. The Audit Committee excluded in principle the engagement of the auditor to perform any services outside of the audit of the annual financial statements, including beyond prevailing legal limitations. For certain nonaudit services, the Audit Committee authorized the Board of Executive Directors to engage KPMG for such services to a very limited extent, or granted approval in individual cases. At the meeting on December 15, 2021, 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. The Audit Committee also addressed the effects of the German Financial Market Integrity Strengthening Act on appointing KPMG as an auditor in the future. Due to the change in the rules on auditor rotation, it is now possible to last appoint KPMG for the 2023 business year.

Other important agenda items included providing guidance to the Board of Executive Directors on accounting issues, the control system established by the Board of Executive Directors, and follow-up assessments of acquisition and investment projects. At its meeting on April 27, 2021, the Audit Committee addressed risk management in the BASF Group and the organization of internal environmental, health and safety audits. Its meetings on July 21, 2021, and December 15, 2021, focused on internal auditing and compliance, respectively. In these meetings, the head of the Corporate Audit department and the head of the Corporate Compliance unit 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 twice in 2021. Both meetings were attended by all committee members. Items discussed at the meetings were the current competence profile and diversity concept for the Supervisory Board, the selection of candidates to succeed Franz Fehrenbach and Anke Schäferkordt, who had announced at an early stage that they would resign from the Supervisory Board on conclusion of the Annual Shareholders' Meeting 2022. In 2022, they will have been members of BASF's Supervisory Board for 14 and 12 years, respectively, meaning that both will no longer be independent within the meaning of the criteria of the German Corporate Governance Code and the criteria for the independence of Supervisory Board members set by the Supervisory Board. The committee identified successor candidates in a structured process and with external support, and evaluated them according to set criteria. Based on the recommendation of the Nomination Committee, the Supervisory Board resolved on December 16, 2021, to propose Alessandra Genco, Chief Financial Officer of Leonardo SpA, and Prof. Dr. Stefan Asenkerschbaumer, Deputy Chairman of the Board of Management and Chief Financial Officer of Robert Bosch GmbH until December 31, 2021, for election to the Supervisory Board at the Annual Shareholders' Meeting on April 29, 2022.

The Strategy Committee, which was established to discuss strategic options for the further development of the BASF Group, did not meet in 2021.

### Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2021, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code in the current version dated December 16, 2019.

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 2021.

Special onboarding events are held for new members of the Supervisory Board to familiarize them with the basics of corporate governance at BASF, the organization and internal structures of the BASF Group, and the composition of its businesses. Above and beyond this, the company also supports the members of the Supervisory Board with training for their activities on the Supervisory Board, whether through external offerings such as topic-specific seminars or internal information offerings such as site and plant visits.

At its meeting of December 16, 2021, 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 all recommendations of the German Corporate Governance Code in the version dated December 16, 2019. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

 The full Declaration of Conformity is rendered on page 60 and is available to shareholders on the company website at [basf.com/en/corporategovernance](https://www.basf.com/en/corporategovernance)

### Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. The Supervisory Board based the assessment of the independence of its members on the recommendations of the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members contained in the Rules of Procedure of the Supervisory Board, which were revised in the Supervisory Board meeting on December 19, 2019. The criteria used to assess independence are presented in the Corporate Governance Report on page 53. According to the Supervisory Board's assessment, on the basis of these criteria, five of the six shareholder representatives and four of the six employee representatives – 9 of the 12 members of the Supervisory Board in total – are considered to be independent as of the end of 2021. All three non-independent Supervisory Board members were classified as such due to the length of their membership on the Supervisory Board, which exceeds 12 years in each case. Franz Fehrenbach and Denise Schellemans, two of the members to be classified as non-independent, will leave the Supervisory Board on conclusion of the Annual Shareholders' Meeting on April 29, 2022; this increases the number of independent members to 11 of 12 members. Above and beyond this, however, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment of their independence. The scope of these businesses is marginal and furthermore takes place under conditions similar to those of a third party.

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. To this end, the Chairman of the Supervisory Board conducted a written survey of all Supervisory Board members in the fourth quarter of 2021 on the basis of a detailed questionnaire covering the entire range of relevant Supervisory Board topics. These included, in particular, the preparation and conduct of Supervisory Board meetings, the content and topics of the meetings, cooperation within the Supervisory Board, and cooperation with the Board of Executive Directors and the auditor. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented by the Chairman of the Supervisory Board at the Supervisory Board meeting on December 16, 2021, and thoroughly discussed by the members of the Supervisory Board. Overall, its members again 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 2021 based on individual discussions between the chair of the Audit Committee and all members of the Audit Committee. Material subjects were the organization and content of meetings, meeting documents and reports, participants and quality of discussion at meetings, and the implementation of the recommendations of the 2020 efficiency review. The Audit Committee discussed the results of the questionnaire and detailed suggestions at its meeting on December 15, 2021. On this basis, the members judged the Audit Committee's work to be efficient and appropriate.

### Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2021 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 early risk detection 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 108 onward

Beyond the statutory audit of the Financial Statements, KPMG also conducted, on behalf of the Supervisory Board, a 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 reporting and the satisfaction of the relevant statutory requirements. Above and beyond the statutory requirements, the auditor also conducted a limited assurance of the Compensation Report that is to be prepared by the Board of Executive Directors and Supervisory Board in accordance with section 162 AktG.

 The assurance report issued by KPMG on the substantive audit of the NFS can be found at [basf.com/nfs-audit-2021/basf-se](https://basf.com/nfs-audit-2021/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 22, 2022, as well as the accounts meeting of the Supervisory Board on February 23, 2022, 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 the Supervisory Board with

detailed explanations of the reports on the day before the accounts meeting.

The Audit Committee reviewed the Financial Statements, the Management's Report and the Compensation Report at its meeting on February 22, 2022, including the reports prepared by the auditor and the key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The chair of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on February 23, 2022. On this basis, the Supervisory Board examined the Financial Statements and Management's Report of BASF SE for 2021, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2021. 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 23, 2022, 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 2021 Financial Statements final. The Supervisory Board concurred with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.40 per share.

Also at the meeting on February 23, 2022, the Supervisory Board discussed with the Board of Executive Directors the joint Compensation Report of the Board of Executive Directors and the Supervisory Board in accordance with section 162 AktG and approved it.

 The Compensation Report is publicly available on the company's website at [basf.com/compensationreport](https://basf.com/compensationreport)

### Composition of the Supervisory Board

Liming Chen, the Supervisory Board member appointed by the Ludwigshafen am Rhein local court (Amtsgericht) effective October 8, 2020, was elected to the Supervisory Board as a shareholder representative by the Annual Shareholders' Meeting on April 29, 2021, and was thus confirmed as a member of the Supervisory Board with a term of office until the end of the current Supervisory Board period in 2024.

In addition, the Supervisory Board members Anke Schäferkordt and Franz Fehrenbach announced in 2021 that they will resign from the Supervisory Board on conclusion of the Annual Shareholders' Meeting on April 29, 2022. In light of this, the Supervisory Board selected Alessandra Genco and Prof. Dr. Stefan Asenkerschbaumer as candidates to succeed them on the Supervisory Board based on a selection process managed by the Nomination Committee. Details of the two candidates proposed for election will be published in the invitation to the Annual Shareholders' Meeting and made available on the company's website at [basf.com/annualmeeting](https://basf.com/annualmeeting).

According to the Supervisory Board's assessment, the current and proposed future composition of the Supervisory Board meet in full the objectives with respect to its competence profile and diversity concept.

 For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 51

Ludwigshafen, February 23, 2022

The Supervisory Board



Kurt Bock

Chairman of the Supervisory Board



# Financial Statements of BASF SE

## Statement of Income

### Statement of income

Million €

	Explanations in Note	2021	2020
<b>Sales revenue</b>	(2)	<b>25,041</b>	<b>19,915</b>
Cost of sales		21,059	16,965
<b>Gross profit on sales</b>		<b>3,982</b>	<b>2,950</b>
Selling expenses		2,002	1,905
General administrative expenses		546	458
Research expenses		1,357	1,240
Other operating income	(3)	330	175
Other operating expenses	(4)	924	1,302
<b>Income from operations</b>		<b>-517</b>	<b>-1,780</b>
Income from shareholdings		3,909	5,704
Interest result		24	-649
Other financial result		79	40
<b>Financial result</b>	(5)	<b>4,012</b>	<b>5,095</b>
<b>Income before income taxes</b>		<b>3,495</b>	<b>3,315</b>
Income taxes	(6)	-433	-631
<b>Net income</b>		<b>3,928</b>	<b>3,946</b>

## Balance Sheet

<b>Assets</b>			
Million €			
	Explanations in Note	December 31, 2021	December 31, 2020
Intangible assets	(8)	1,883	2,127
Property, plant and equipment	(9)	3,531	3,526
Financial assets	(10)	22,369	21,067
<b>Fixed assets</b>		<b>27,783</b>	<b>26,720</b>
<b>Inventories</b>	<b>(11)</b>	<b>2,940</b>	<b>2,271</b>
Accounts receivable, trade		1,257	805
Receivables from affiliated companies		26,790	20,580
Miscellaneous receivables and other assets		752	565
<b>Receivables and other assets</b>	<b>(12)</b>	<b>28,799</b>	<b>21,950</b>
Marketable securities		200	200
Cash at bank and on hand		537	2,469
<b>Liquid funds</b>	<b>(13)</b>	<b>737</b>	<b>2,669</b>
<b>Current assets</b>		<b>32,476</b>	<b>26,890</b>
<b>Prepaid expenses</b>	<b>(14)</b>	<b>156</b>	<b>190</b>
<b>Deferred tax assets</b>	<b>(6)</b>	<b>1,731</b>	<b>1,320</b>
<b>Excess of plan assets over obligations</b>	<b>(17)</b>	<b>94</b>	<b>326</b>
<b>Total assets</b>		<b>62,240</b>	<b>55,446</b>

<b>Equity and liabilities</b>			
Million €			
	Explanations in Note	December 31, 2021	December 31, 2020
Subscribed capital	(15)	1,176	1,176
Capital surplus		3,139	3,139
Retained earnings	(16)	11,868	10,952
Retained profits	(16)	3,928	3,946
<b>Equity</b>		<b>20,111</b>	<b>19,213</b>
<b>Special reserves</b>		<b>56</b>	<b>59</b>
Provisions for pensions and similar obligations	(17)	87	64
Provisions for taxes		192	462
Other provisions	(18)	1,806	1,373
<b>Provisions</b>		<b>2,085</b>	<b>1,899</b>
Financial indebtedness		15,418	17,588
Accounts payable, trade		1,519	1,024
Liabilities to affiliated companies		22,039	14,631
Miscellaneous liabilities		761	772
<b>Liabilities</b>	<b>(19)</b>	<b>39,737</b>	<b>34,015</b>
<b>Prepaid expenses</b>		<b>251</b>	<b>260</b>
<b>Total equity and liabilities</b>		<b>62,240</b>	<b>55,446</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 Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and the applicable regulations for public limited-liability companies in the Member State in which it has its registered office, i.e., in accordance with the accounting regulations for the fiscal year ending December 31, 2021, in particular the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

### 1 – Accounting and valuation methods

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

**Intangible assets:** These are valued at cost less straight-line amortization. In 2021, the weighted average amortization period was 12 years and was based on the following useful lives:

	2021	2020
Goodwill	10 years	11 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:

	2021	2020
Buildings and structural installations	24 years	24 years
Machinery and technical equipment	10 years	10 years
Factory and office equipment and other facilities	10 years	10 years

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

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

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

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

reproduction cost. The acquisition or production costs of raw materials as well as work in process, finished goods and merchandise are determined by the last-in, first-out (LIFO) method. Factory supplies are carried predominantly at average cost. To cover storage risks, valuations are adjusted downward based on coverage and turnover analyses.

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

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

Advance payments on inventories are measured at cost.

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

**Liquid funds:** This item includes marketable securities, cash at banks and cash on hand. Marketable securities are measured at cost. They 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. Deferred taxes from tax group companies of BASF SE have been recognized at BASF SE since the termination of the tax allocation agreements as of the reporting year. In addition, deferred taxes are recorded for tax loss carryforwards.

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

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

The fair value of the plan assets generally corresponds to the market price. If there is no active market, the fair value is calculated using generally recognized measurement methods. The measurement methods should determine a fair value that reasonably approximates a market price that would have prevailed between independent

business partners under normal business conditions. Should a reliable determination of fair value not be possible using recognized measurement methods, amortized cost is to be applied following the strict lower of cost or market principle. In the case of plan assets of working-time accounts, amortized cost corresponds to the budgeted actuarial reserves of the insurance contract plus irrevocably distributed profit shares.

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

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

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

**Provisions:** Provisions for pensions are determined on the basis of actuarial assumptions made according to the internationally accepted projected unit credit method. The obligations are valued using assumptions regarding future pay and pension increases. The valuation is based on the 2018 G mortality tables by Prof. Dr. Klaus Heubeck, modified by the mortality and invalidity expectations for the BASF population. Age-dependent and gender-specific fluctuation probabilities are also used. In accordance with the German law on implementing the guideline for residential real estate mortgage loans and on amended commercial regulations, the discount rate is determined as the average market interest rate of the past 10 years as published by Deutsche Bundesbank, with an assumed residual period of 15 years. The obligations as of December 31, 2021, were valued using a discount rate of 1.87% (previous year: 2.30%). Indirect pension obligations are not recognized as liabilities, pursuant to the optional right under section 28(1) sentence 2 EGHGB.

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

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

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

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

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

The provisions for share price-based variable compensation (LTI program allocated until 2020) are measured at the fair values of existing options as of the balance sheet date. These are based on the arbitrage-free valuation model according to Black-Scholes. The amounts are accrued proportionally as provisions over the respective vesting period.

The provision for share price-based variable compensation in the form of a performance share plan (LTI program granted from 2020 onward) is measured at fair value and discounted in line with the remaining term in accordance with section 253(2) HGB.

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

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

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

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

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

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

**Customer facilities:** The energy facilities operated by BASF SE to produce electricity and gas are customer facilities for internal supply in accordance with section 3 no. 24b of the German Energy Act (EnWG). BASF SE is therefore not subject to the regulations imposed upon grid operators by the EnWG.

## 2 – Sales revenue

### Sales revenue by segment

Million €	2021	2020
Chemicals	6,791	4,527
Materials	4,640	3,056
Industrial Solutions	4,220	3,528
Surface Technologies	447	423
Nutrition & Care	4,446	4,227
Agricultural Solutions	3,222	2,981
Other	1,275	1,173
	<b>25,041</b>	<b>19,915</b>

### Sales revenue by region

Million €	2021	2020
Europe	18,409	14,082
of which Germany	6,598	4,831
North America	1,932	1,652
Asia Pacific	2,897	2,552
South America, Africa, Middle East	1,803	1,629
	<b>25,041</b>	<b>19,915</b>

## 3 – Other operating income

Other operating income rose by €155 million year on year to €330 million. Out-of-period income amounted to €178 million (previous year: €62 million) and included income from the release of provisions of €136 million (previous year: €33 million).

Furthermore, income from portfolio measures increased by €60 million compared with the previous year to €72 million. By contrast, gains from foreign currency transactions declined by €14 million to €19 million in the reporting year.

## 4 – Other operating expenses

Other operating expenses declined by €378 million year on year to €924 million. Out-of-period expenses amounted to €10 million (previous year: €24 million). Expenses for restructuring measures of around €74 million (previous year: around €220 million) were recognized in the reporting year in connection with the further implementation of the corporate strategy. Furthermore, expenses for portfolio measures decreased by €106 million compared with the previous year to €19 million.

In addition, expenses of €25 million were recognized in the reporting year in connection with the coronavirus pandemic (previous year: €155 million). Losses from foreign currency transactions amounted to €21 million (previous year: €53 million). By contrast, contributions to provisions for share price-based variable compensation (LTI programs) rose by €8 million year on year to €36 million.



## 5 – Financial result

### Financial result

Million €

	2021	2020
Income from shareholdings and similar income	2,916	5,531
of which from affiliated companies	2,841	5,479
Income from profit transfers	1,085	594
Income from tax allocation to affiliated companies <sup>1</sup>	–	48
Expenses from loss transfer agreements	68	399
Write-downs of, and losses from, the disposal of shareholdings	24	70
<b>Income from shareholdings</b>	<b>3,909</b>	<b>5,704</b>
Income from other securities and the loan of financial assets	5	9
of which from affiliated companies	1	1
Interest and similar income	348	132
of which from affiliated companies	7	14
Interest and similar expenses	329	790
of which to affiliated companies	8	12
<b>Interest result</b>	<b>24</b>	<b>–649</b>
Write-downs of, and losses from, the disposal of loans and marketable securities	.	17
Miscellaneous other financial result	79	57
<b>Other financial result</b>	<b>79</b>	<b>40</b>
<b>Financial result</b>	<b>4,012</b>	<b>5,095</b>

<sup>1</sup> The tax allocation agreements were terminated in 2021.

The financial result declined by €1,083 million to €4,012 million. The decrease in income from shareholdings was mainly due to lower dividends. This was partially offset by higher profit transfers and lower loss transfers.

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 €501 million (previous year: €458 million) and income from pension plan assets amounted to €732 million (previous year: €74 million). This led to a considerable increase in the interest result.

Expenses from the unwinding of the discount on other provisions amounted to €12 million (previous year: €10 million) and are included in interest and similar expenses.

The miscellaneous other financial result rose by €22 million to €79 million. The increase mainly resulted from higher interest income on income taxes. Lower gains on commercial paper hedging had an offsetting effect.

## 6 – Income taxes

### Tax expense

Million €

	2021	2020
Current income tax expenses	-22	76
Deferred tax assets and liabilities	-411	-707
<b>Income taxes</b>	<b>-433</b>	<b>-631</b>
Other taxes	40	39
<b>Tax expense</b>	<b>-393</b>	<b>-592</b>

Current income tax expenses declined by €98 million to –€22 million in the reporting year due to a partial reversal of tax provisions for previous years, compared with additions to tax provisions in the

previous year. Current tax expenses include out-of-period income of €75 million.

### Deferred tax assets

Million €

	2021	2020
Fixed assets	248	301
Inventories, accounts receivable and other assets	-61	-13
Pension provisions	755	600
Other provisions and miscellaneous liabilities	52	51
<b>Temporary differences between valuations in the Financial Statements and valuations for tax purposes</b>	<b>994</b>	<b>939</b>
Assumption of deferred taxes from tax group companies	265	–
Tax loss carryforwards	472	381
<b>Deferred tax assets</b>	<b>1,731</b>	<b>1,320</b>

The tax allocation agreements for the tax group were terminated in 2021. As a result, the deferred tax assets at tax group companies were reversed in the income statement and recognized at BASF SE.

A tax rate of 30% was applied in the calculation of deferred taxes for 2021, as in the previous year.

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 disclosures

### Cost of materials

Million €

	2021	2020
Cost of raw materials, plant supplies and purchased merchandise	16,946	11,664
Cost of purchased services	3,166	3,009
	<b>20,112</b>	<b>14,673</b>

### Personnel expenses

Million €

	2021	2020
Wages and salaries	3,130	2,839
Social security contributions and expenses for pensions and assistance	884	694
of which for pension benefits	392	257
	<b>4,014</b>	<b>3,533</b>

The increase in wages and salaries is primarily attributable to variable compensation.

### Average number of employees

	2021	2020
Nonexempt employees	23,493	23,719
Exempt employees	8,640	8,670
Apprentices	1,919	1,871
Temporary staff	239	249
	<b>34,291</b>	<b>34,509</b>

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

Million €

	2021	2020
Performance-related and fixed cash payments to the Board of Executive Directors	31.1	9.7
Market value of options and performance share units allocated to the Board of Executive Directors as of the date of allocation <sup>1</sup>	11.7	11.6
<b>Total compensation for the Board of Executive Directors</b>	<b>42.8</b>	<b>21.3</b>
Service cost for members of the Board of Executive Directors	3.6	3.7
Compensation for the Supervisory Board	3.3	2.9
Total compensation of former members of the Board of Executive Directors and their surviving dependents <sup>2</sup>	10.7	11.2
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	175.2	168.4
Contingent liabilities in favor of members of the Board of Executive Directors and the Supervisory Board	–	–

<sup>1</sup> Members of the Board of Executive Directors were allocated option rights under the long-term incentive (LTI) program for the last time in 2020.

<sup>2</sup> Adjusted for the accounting valuation of option rights and other benefits (e.g., non-compete compensation, deferral components), this would have amounted to €14.3 million in 2021 (previous year: €12.5 million).

The STI (short-term incentive) 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 a ROCE adjustment were not met in 2021.

In the final allocation of options in 2020, 166,272 option rights were allocated to the Board of Executive Directors under the LTI program. Market valuation of the option rights of active and former members of the Board of Executive Directors resulted in income totaling €0.8 million in 2021. In 2020, option rights led to an expense in the amount of €1.1 million.

In 2021, the members of the Board of Executive Directors were allocated 187,618 performance share units (PSUs) under the LTI performance share plan (2020: 151,247). Market valuation of the PSUs of active and former members of the Board of Executive Directors resulted in an expense totaling €9.3 million in 2021. In the previous year, this led to an expense of €2.8 million.

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

**Declaration of Conformity:** The Declaration of Conformity with the German Corporate Governance Code (see page 60) in accordance with section 161 AktG was signed by the Board of Executive Directors and the Supervisory Board of BASF SE in December 2021.

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

## 8 – Intangible assets

### Development 2021

Million €

	Purchased industrial property rights and similar rights and values <sup>1</sup>	Goodwill	Advance payments	Total
<b>Cost</b>				
As of January 1, 2021	1,585	1,906	43	3,534
Additions	7	–	4	11
Disposals	127	5	.	132
Transfers	8	–	–8	–
As of December 31, 2021	1,473	1,901	39	3,413
<b>Amortization and write-downs</b>				
As of January 1, 2021	456	951	–	1,407
Additions	122	126	–	248
Disposals	125	–	–	125
As of December 31, 2021	453	1,077	–	1,530
<b>Net carrying amount as of December 31, 2021</b>	<b>1,020</b>	<b>824</b>	<b>39</b>	<b>1,883</b>
Net carrying amount as of December 31, 2020	1,129	955	43	2,127

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

## 9 – Property, plant and equipment

### Development 2021

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, 2021	3,271	13,917	1,828	999	20,015
Additions	20	174	53	311	558
Disposals	3	46	58	77	184
Transfers	85	521	27	-633	-
As of December 31, 2021	3,373	14,566	1,850	600	20,389
<b>Depreciation and write-downs</b>					
As of January 1, 2021	2,544	12,357	1,501	87	16,489
Additions	55	398 <sup>2</sup>	89	3 <sup>3</sup>	545
Disposals	3	45	57	71	176
Transfers	.	1	-1	-	-
Reversals of impairments	-	-	-	-	-
As of December 31, 2021	2,596	12,711	1,532	19	16,858
<b>Net carrying amount as of December 31, 2021</b>	<b>777</b>	<b>1,855</b>	<b>318</b>	<b>581</b>	<b>3,531</b>
Net carrying amount as of December 31, 2020	727	1,560	327	912	3,526

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

<sup>2</sup> Of which €4 million in impairments

<sup>3</sup> Of which €3 million in impairments

## 10 – Financial assets

## Development 2021

## Shareholdings and securities held as fixed assets

Million €

	Shares in affiliated companies	Shares in other companies	Shareholdings	Securities held as fixed assets
			Total	Total
<b>Cost</b>				
As of January 1, 2021	20,694	500	21,194	–
Additions	1,372	3	1,375	–
Disposals	72	27	99	–
Transfers	–	–	–	–
As of December 31, 2021	21,994	476	22,470	–
<b>Depreciation and write-downs</b>				
As of January 1, 2021	298	25	323	–
Additions	19	3	22	–
Disposals	5	–	5	–
Transfers	–	–	–	–
Reversals of impairments	42	–	42	–
As of December 31, 2021	270	28	298	–
<b>Net carrying amount as of December 31, 2021</b>	<b>21,724</b>	<b>448</b>	<b>22,172</b>	<b>–</b>
Net carrying amount as of December 31, 2020	20,396	475	20,871	–

## Development 2021

## Loans and other financial assets

Million €

	Loans to affiliated companies	Loans to other shareholdings	Miscellaneous loans and other financial assets	Loans and other financial assets	Financial assets
				Total	Total
<b>Cost</b>					
As of January 1, 2021	153	41	80	274	21,468
Additions	1	3	80	84	1,459
Disposals	3	–	80	83	182
Transfers	–	–	–	–	–
As of December 31, 2021	151	44	80	275	22,745
<b>Depreciation and write-downs</b>					
As of January 1, 2021	78	–	–	78	401
Additions	–	–	–	–	22
Disposals	–	–	–	–	5
Transfers	–	–	–	–	–
Reversals of impairments	–	–	–	–	42
As of December 31, 2021	78	–	–	78	376
<b>Net carrying amount as of December 31, 2021</b>	<b>73</b>	<b>44</b>	<b>80</b>	<b>197</b>	<b>22,369</b>
Net carrying amount as of December 31, 2020	75	41	80	196	21,067



## 11 – Inventories

Million €

	2021	2020
Raw materials and factory supplies	759	607
Work in progress, finished goods and merchandise <sup>1</sup>	2,131	1,620
Services in progress	25	40
Advance payments on inventories	25	4
	<b>2,940</b>	<b>2,271</b>

<sup>1</sup> Work in progress, finished goods and merchandise are combined into one item due to production conditions in the chemical industry.

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 €65 million for raw materials

(previous year: €28 million), and €314 million for finished goods and merchandise (previous year: €112 million).

## 12 – Receivables and other assets

Million €

	2021		2020	
		Of which remaining term over 1 year		Of which remaining term over 1 year
Accounts receivable, trade	1,257	.	805	.
Receivables from affiliated companies	26,790	2	20,580	4
of which from trade accounts receivable	3,435	–	2,596	–
Receivables from participating interests	134	100	116	100
Other assets	618	67	449	68
	<b>28,799</b>	<b>169</b>	<b>21,950</b>	<b>172</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 (previous year: €3 million).

Receivables from affiliated companies increased, mainly due to refinancing within the Group.

In 2021, accrued items totaled €41 million (previous year: €37 million).

## 13 – Liquid funds

Marketable securities amounted to €200 million in the reporting year. Cash on hand and credit institution balances declined by €1,932 million to €537 million.

## 14 – Prepaid expenses

Million €

	2021	2020
Discounts	60	77
Other	96	113
	<b>156</b>	<b>190</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 share capital (subscribed capital) of BASF SE is €1,175,652,728.32 and is divided into 918,478,694 registered shares with no par value.

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

As the parent company of the BlackRock group, BlackRock, Inc., Wilmington, Delaware, informed us on July 8, 2020, that its share of voting rights pursuant to section 33(1) WpHG amounted to 5.46% on July 3, 2020. All voting rights of the BlackRock group are accorded to BlackRock, Inc. in accordance with section 34(1) sentence 1 no. 1 WpHG.

### Conditional capital

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

### Authorized capital

The Annual Shareholders' Meeting of May 3, 2019, authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase share 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.

### Authorization of share buybacks

By way of a resolution of the Annual Shareholders' Meeting of May 12, 2017, the Board of Executive Directors was authorized to buy back shares until May 11, 2022, in accordance with section 71(1) no. 8 of the German Stock Corporation Act (AktG). The buyback may not exceed 10% of the company's share capital at the time the resolution was passed and can take place via the stock exchange, a public purchase offer addressed to all shareholders, or a public invitation to the shareholders to submit sales offers. This authorization had not been exercised as of the end of the 2021 fiscal year.

On January 4, 2022, the Board of Executive Directors approved a share buyback program with a maximum volume of €3 billion to be implemented between January 2022 and December 2023. The share buyback program is based on the previously described authorization from May 12, 2017. A proposal to renew the authorization to buy back own shares is planned for the 2022 Annual Shareholders' Meeting.

## 16 – Retained earnings and retained profits

Million €

<b>Other retained earnings</b>	<b>2021</b>
As of January 1, 2021	10,952
Appropriated retained earnings (as per resolution of Annual Shareholders' Meeting 2021)	915
Other changes	1
<b>As of December 31, 2021</b>	<b>11,868</b>
<b>Retained profits</b>	
Net income	3,928
Profits carried forward	–
Transfer to / withdrawal from other retained earnings	–
<b>As of December 31, 2021</b>	<b>3,928</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 €960 million subject to dividend payout restrictions.

The excess of deferred tax assets over deferred tax liabilities plus deferred tax liabilities from the measurement of plan assets at fair value amounted to €1,815 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 €494 million, subject to dividend payout restrictions.

The amounts subject to dividend payout restrictions were €3,269 million, while freely available reserves amounted to €11,968 million. There is therefore no dividend payout restriction for retained profits.

### Proposal for appropriation of profit

The Board of Executive Directors and the Supervisory Board propose to use the €3,928,321,339.23 in profit retained by BASF SE in the 2021 fiscal year to pay a dividend of €3.40 per qualifying share and to transfer the amount attributable to non-qualifying shares from retained profits to 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>2021</b>	<b>2020</b>
Projected pension increase	1.60	1.50
Projected increase in wages and salaries	2.50	2.50
Interest rate (section 253(2) sent. 2 HGB)	1.87	2.30

Amounts offset in the balance sheet as of December 31 of the respective year:

Million €	2021	2020
Fair value of pension plan assets	6,617	6,400
Pension obligations with plan assets	6,523	6,074
<b>Net total: excess of plan assets over obligations</b>	<b>94</b>	<b>326</b>
Historical acquisition costs for pension plan assets	5,572	5,724

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 €	2021	2020
Income from pension plan assets	755	131
Expenses from pension plan assets	23	57
Expenses from unwinding the discount	501	458
<b>Net interest result</b>	<b>231</b>	<b>-384</b>

As of December 31, 2021, pension obligations excluding plan assets amounted to €87 million (previous year: €64 million).

## 18 – Other provisions

Million €	2021		2020	
		Of which current		Of which current
Environmental protection and remediation costs	268	42	220	35
Employee obligations	1,110	926	699	541
Sales and purchase risks	63	52	82	82
Maintenance and repair	23	23	22	22
Other	342	169	350	143
	<b>1,806</b>	<b>1,212</b>	<b>1,373</b>	<b>823</b>

In the reporting year, provisions in the amount of €136 million were reversed in the income statement and reported under other operating income (previous year: €33 million).

The item other primarily consists of provisions for interest on income taxes, outstanding invoices and onerous contracts. Obligations of €839 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 €23 million from working-time accounts, offset by expenses also amounting to €23 million.

## 19 – Liabilities

### Financial indebtedness

Million €

	2021	2020
Commercial paper	248	1,333
1.875% EUR bond 2013/2021	–	1,000
2.5% USD bond 2017/2022	472	472
1.375% GBP bond 2018/2022	283	283
2% EUR bond 2012/2022	1,250	1,250
0.925% USD bond 2017/2023	782	782
0.101% EUR bond 2020/2023	1,000	1,000
0.875% GBP bond 2016/2023	291	291
2.5% EUR bond 2014/2024	500	500
1.75% GBP bond 2017/2025	353	353
0.875% EUR bond 2018/2025	750	750
3.675% NOK bond 2013/2025	189	189
0.25% EUR bond 2020/2027	1,000	1,000
0.25% EUR bond 2017/2027	1,000	1,000
2.67% NOK bond 2017/2029	177	177
0.875% EUR bond 2019/2029	250	250
1.5% EUR bond 2018/2030	500	500
1.5% EUR bond 2016/2031	200	200
0.875% EUR bond 2016/2031	500	500
2.37% HKD bond 2016/2031	153	153
1.45% EUR bond 2017/2032	300	300
3% EUR bond 2013/2033	500	500
2.875% EUR bond 2013/2033	200	200
4.0% AUD bond 2018/2033	101	101
1.625% EUR bond 2017/2037	750	750
3.25% EUR bond 2013/2043	200	200
1.025% JPY bond 2018/2048	77	77
3.89% U.S. private placement series A 2013/2025	184	184
4.09% U.S. private placement series B 2013/2028	515	515
4.43% U.S. private placement series C 2013/2034	221	221
<b>Bonds and other liabilities to the capital market</b>	<b>12,946</b>	<b>15,031</b>
Liabilities to credit institutions	2,472	2,557
	<b>15,418</b>	<b>17,588</b>

### Liabilities to affiliated companies

Million €

	2021	2020
Accounts payable, trade	2,356	1,627
Miscellaneous liabilities	19,683	13,004
	<b>22,039</b>	<b>14,631</b>

**Other liabilities**

Million €

	2021	2020
Advances received on orders	10	9
Liabilities to participating interests	108	52
Miscellaneous liabilities	643	711
of which from taxes	56	55
of which related to social security	.	.
	<b>761</b>	<b>772</b>

**Maturities of liabilities**

Million €

	2021			2020		
	Less than 1 year	1-5 years	More than 5 years	Less than 1 year	1-5 years	More than 5 years
Financial indebtedness	2,629	5,766	7,023	2,553	7,362	7,673
Accounts payable, trade	1,517	2	.	1,016	8	.
Liabilities to affiliated companies	22,038	1	-	14,625	6	-
Advances received on orders	10	-	-	9	-	-
Liabilities to participating interests	108	-	-	52	-	-
Miscellaneous liabilities	565	77	1	633	78	-
	<b>26,867</b>	<b>5,846</b>	<b>7,024</b>	<b>18,888</b>	<b>7,454</b>	<b>7,673</b>

**20 – Shares in investment assets**

As of December 31, 2021, 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, 2021	Dividend payment 2021	Returnable daily
Fixed income funds	2,776	57	yes
Equity funds	299	8	yes
Mixed funds	1,940	-	yes

The shares serve as plan assets for obligations from pensions.

## 21 – Contingent liabilities and other financial obligations

The following contingent liabilities and other financial obligations are shown at nominal value.

### Contingent liabilities

Million €

	2021	2020
Bills of exchange	3	2
of which to affiliated companies	–	–
Guarantees	1,492	1,348
of which to affiliated companies	1,488	1,343
Warranties	140	230
of which to affiliated companies	123	198
	<b>1,635</b>	<b>1,580</b>

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.

Most of the contingent liabilities relate to guarantees for bonds issued by BASF Finance Europe N.V., based in Arnhem, Netherlands, for the purpose of corporate financing.

BASF SE provides a guarantee to Abu Dhabi National Oil Company covering all obligations of Wintershall Dea Middle East GmbH related to the Ghasha concession in the United Arab Emirates. Furthermore, BASF SE assumed guarantees to the Danish Energy Agency covering all obligations of Wintershall Dea International GmbH and Wintershall Noordzee B.V. related to licenses for exploration and production of hydrocarbons in the Danish concession area. In addition, BASF SE guarantees certain liabilities of BASF Schwarzheide GmbH. The guarantees do not stipulate a maximum amount. The risk of a claim being exercised against the guarantees was classified as low.

### Other financial obligations

Million €

	2021	2020
Payment obligations	833	60
of which to affiliated companies	832	59
Rental and lease obligations	736	543
of which to affiliated companies	64	66
Purchase commitments	332	295
Pension benefits	904	748
Initial fund loan to BASF Pensionskasse VVaG (not drawn down)	140	–
Miscellaneous other financial obligations	18	12
	<b>2,963</b>	<b>1,658</b>

The increase in payment obligations to affiliated companies mainly relates to the construction of the BASF Integrated Site (Guangdong) Co., Ltd. Verbund site in China.



## Long-term purchase obligations

Million €

	2021	2020
<b>Long-term purchase obligations</b>	<b>5,062</b>	<b>3,710</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. In 2021 we signed a long-term

energy supply agreement worth €1,119 million for renewable wind power with the Engie group.

## 22 – Related party transactions

The profit participation capital of €80 million granted by BASF SE to BASF Pensionskasse VVaG since the 2010 fiscal year was repaid in full as of December 31, 2021, and replaced by an initial fund loan in the same amount granted by BASF SE. The initial fund loan granted by BASF SE to BASF Pensionskasse VVaG has a volume of €220 million.

## 23 – Derivative instruments

### Use of derivative instruments

BASF SE is exposed to foreign currency, interest rate, share price and commodity price risks in the course of its business. These risks are hedged through a centrally determined strategy employing derivative instruments. Hedging is only employed for underlying transactions from the operating business, cash investments and financing as well as for planned sales and purchases.

Where derivatives have a positive market value, BASF SE is exposed to credit risks in the event of nonperformance of the contractual partner. This credit risk for positive market values is minimized by trading contracts exclusively with creditworthy banks and partners within predefined credit limits and by the use of collateral.

To ensure efficient risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes are conducted according to internal guidelines, and are subject to strict control mechanisms.

The risks arising from the underlying transactions and the derivative transactions concluded to hedge them are monitored constantly. The same is true of the derivative instruments used for hedging purposes. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

### Fair value and nominal value of derivative financial instruments

Million €

	Fair value		Nominal value	
	2021	2020	2021	2020
Foreign currency forward contracts	33	-34	8,962	7,805
Foreign currency option contracts	.	34	508	1,449
Combined interest and cross-currency swaps	85	-170	4,352	4,352
Stock options	-	-	1,613	1,613
Commodity derivatives	25	3	42	12
	<b>143</b>	<b>-167</b>	<b>15,477</b>	<b>15,231</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 current spot rates and the applicable market interest rates and volatilities based on the remaining term to maturity. In the case of unlisted contracts, fair value corresponds to the redemption value in the event of premature cancellation. The nominal values are the totals of the purchases and sales of the particular derivatives on a gross basis.

Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar. Commodity derivatives are used to hedge purchase and sales market price risks.

Acquisition costs of €66 million for derivatives were capitalized in other assets. Provisions amounting to €36 million were recognized for expected losses from currency fluctuations. Losses of €75 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 2021	Hedging transactions 2021	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>62</b>	–	–
Loans to affiliated companies	Foreign currency forward contracts	44	–	–
Loans to other shareholdings	Foreign currency forward contracts	18	–	–
<b>Hedged liabilities</b>	<b>Derivatives to hedge liabilities</b>	<b>4,252</b>	<b>243</b>	<b>–146</b>
Liabilities to affiliated companies	Hedging transactions for liabilities to affiliated companies			
– In foreign currencies	– Foreign currency forward contracts	239	11	–
Financial indebtedness	Hedging transactions for financial indebtedness			
– Foreign currency bonds	– Combined interest and cross-currency swaps	3,798	214	–146
– Foreign currency loans	– Combined interest and cross-currency swaps	215	18	–
<b>Planned transactions</b>	<b>Type of hedging transaction</b>	<b>508</b>	<b>1</b>	<b>–1</b>
Future sales and purchases	Foreign currency option contracts	508	1	–1
<b>Derivatives</b>	<b>Type of hedging transaction</b>	<b>1,792</b>	<b>26</b>	<b>–3</b>
Foreign currency forward contracts	Foreign currency forward contracts	817	9	–3
Stock options	Stock options	806	–	–
Interest and cross-currency swaps	Interest and cross-currency swaps	169	17	–

The receivables and liabilities hedged with foreign currency forward contracts are generally due within one year. The term of the currency option contracts for hedging highly probable future sales in U.S. dollars is less than one year. Financial indebtedness in foreign currencies was hedged using combined interest and cross-currency swaps. These have a maximum term of 27 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 and other services. These can be found in Note 32 to the Consolidated Financial Statements of the BASF Group.

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**25 – Events after the reporting period**

On January 4, 2022, the Board of Executive Directors approved a share buyback program with a maximum volume of €3 billion to be implemented between January 2022 and December 2023. The share buyback program is based on the previously described authorization from May 12, 2017. A proposal to renew the authorization to buy back own shares is planned for the 2022 Annual Shareholders' Meeting, which would authorize the continuation of the share buyback program already underway.

## 26 – BASF SE list of shares held 2021 pursuant to section 285 no. 11, 11a and 11b of the German Commercial Code

The earnings of companies acquired in 2021 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 (%) <sup>1</sup>	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	-647.8	<sup>2</sup>	EUR
BASF Agro Trademarks GmbH	Ludwigshafen (Rhein)	100.00	0.00	23.1	<sup>2</sup>	EUR
BASF Akquisitions GmbH	Ludwigshafen (Rhein)	100.00	100.00	431.3	-0.0	EUR
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00	2.6	0.2	EUR
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00	290.8	<sup>2</sup>	EUR
BASF Catalysts Germany GmbH	Hannover	100.00	0.00	299.1	<sup>2</sup>	EUR
BASF Coatings GmbH	Münster	100.00	10.00	178.5	<sup>2</sup>	EUR
BASF Construction Additives GmbH	Trostberg	100.00	0.00	-101.1	<sup>2</sup>	EUR
BASF Digital Solutions GmbH	Ludwigshafen (Rhein)	100.00	0.00	-21.5	<sup>2</sup>	EUR
BASF Finance Malta GmbH	Monheim	100.00	100.00	0.1	-16.3	EUR
BASF Grenzach GmbH	Grenzach-Wyhlen	100.00	0.00	54.6	<sup>2</sup>	EUR
BASF Handels- und Exportgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00	3,556.6	<sup>2</sup>	EUR
BASF IP Licensing GmbH	Monheim	100.00	0.00	3.6	<sup>2</sup>	EUR
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhein)	100.00	0.00	0.0	<sup>2</sup>	EUR
BASF Lampertheim GmbH	Lampertheim	100.00	0.00	149.8	<sup>2</sup>	EUR
BASF Leuna GmbH	Leuna	100.00	0.00	13.8	<sup>2</sup>	EUR
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)	100.00	99.99	10.3	4.6	EUR
BASF New Business GmbH	Ludwigshafen (Rhein)	100.00	0.00	65.4	<sup>2</sup>	EUR
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	0.00	11.5	<sup>2</sup>	EUR
BASF Performance Polymers GmbH	Rudolstadt	100.00	0.00	42.4	<sup>2</sup>	EUR
BASF Personal Care and Nutrition GmbH	Monheim	100.00	0.00	211.4	<sup>2</sup>	EUR
BASF Plant Science Company GmbH	Ludwigshafen (Rhein)	100.00	0.00	207.3	<sup>2</sup>	EUR
BASF Plant Science GmbH	Ludwigshafen (Rhein)	100.00	0.00	3.1	<sup>2</sup>	EUR
BASF Polyurethanes GmbH	Lemförde	100.00	10.00	78.0	<sup>2</sup>	EUR
BASF Renewable Energy GmbH	Ludwigshafen (Rhein)	100.00	0.00	0.0	<sup>2</sup>	EUR
BASF Schwarzheide GmbH	Schwarzheide	100.00	10.00	261.4	<sup>2</sup>	EUR
BASF Services Europe GmbH	Berlin	100.00	0.00	-0.7	<sup>2</sup>	EUR
BASF Trostberger Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	6.00	19.8	<sup>2</sup>	EUR
BASF US Verwaltung GmbH	Ludwigshafen (Rhein)	100.00	0.00	167.2	<sup>2</sup>	USD
BASF Wohnen + Bauen GmbH	Ludwigshafen (Rhein)	100.00	10.00	174.5	<sup>2</sup>	EUR
BTC Europe GmbH	Monheim	100.00	0.00	3.5	<sup>2</sup>	EUR
Chemetall GmbH	Frankfurt (Main)	100.00	0.00	231.3	<sup>2</sup>	EUR
Cognis Holding GmbH	Ludwigshafen (Rhein)	100.00	0.00	261.6	<sup>2</sup>	EUR
Cognis International GmbH	Monheim	100.00	0.00	483.6	<sup>2</sup>	EUR
Cognis IP Management GmbH	Monheim	100.00	0.00	317.5	-6.0	EUR

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

<sup>2</sup> Profit and loss transfer agreement

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Grünau Illertissen GmbH	Illertissen	100.00	0.00	47.5	<sup>2</sup>	EUR
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00	15.5	-0.3	EUR
hte GmbH the high throughput experimentation company	Heidelberg	100.00	0.00	36.2	<sup>2</sup>	EUR
Nunhems Germany GmbH	Marbach	100.00	0.00	13.3	<sup>2</sup>	EUR
Performance Polyamides GmbH	Freiburg	100.00	0.00	14.9	9.7	EUR
Rockwood Specialties Group GmbH	Frankfurt (Main)	100.00	0.00	-164.0	0.2	EUR
trinamiX GmbH	Ludwigshafen (Rhein)	100.00	0.00	0.4	<sup>2</sup>	EUR
<b>Rest of Europe</b>						
BASF A/S	Copenhagen (Denmark)	100.00	100.00	1,043.5	13.9	DKK
BASF AB	Gothenburg (Sweden)	100.00	100.00	133.0	55.8	SEK
BASF Agricultural Specialties Limited	Stockport (United Kingdom)	100.00	0.00	42.8	1.7	GBP
BASF Agri-Production S.A.S.	Écully (France)	100.00	0.00	88.3	4.5	EUR
BASF Agro B.V.	Arnhem (Netherlands)	100.00	0.00	1,789.1	885.1	EUR
BASF Agrochemical Products B.V.	Arnhem (Netherlands)	100.00	0.00	494.3	176.4	USD
BASF Antwerpen NV	Antwerp (Belgium)	100.00	0.00	9,630.4	752.2	EUR
BASF AS	Oslo (Norway)	100.00	100.00	2,955.7	223.5	NOK
BASF Battery Integration B.V.	Arnhem (Netherlands)	100.00	0.00	7.8	-0.0	EUR
BASF Battery Materials Finland Oy	Helsinki (Finland)	100.00	0.00	4.3	-5.2	EUR
BASF Battery Materials Holding B.V.	Arnhem (Netherlands)	100.00	0.00	11.9	-0.0	EUR
BASF Beauty Care Solutions France S.A.S.	Lyon (France)	100.00	0.00	99.0	14.9	EUR
BASF Belgium Coordination Center CommV	Antwerp (Belgium)	100.00	0.00	1,004.6	28.4	EUR
BASF Catalysts Asia B.V.	Arnhem (Netherlands)	100.00	0.00	331.8	22.9	EUR
BASF Catalysts UK Holdings Limited	London (United Kingdom)	100.00	0.00	27.5	7.1	GBP
BASF Construction Chemicals Europe AG	Kaisten (Switzerland)	100.00	0.00	28.3	-0.0	CHF
BASF Espanola S.L.	Barcelona (Spain)	100.00	100.00	844.2	34.9	EUR
BASF Finance Europe N.V.	Arnhem (Netherlands)	100.00	100.00	6.1	0.1	EUR
BASF France S.A.S.	Levallois-Perret Cedex (France)	100.00	100.00	700.2	0.8	EUR
BASF Health and Care Products France S.A.S.	Levallois-Perret Cedex (France)	100.00	0.00	28.7	4.4	EUR
BASF Hellas Single Member S.A.	Marousi (Greece)	100.00	100.00	17.9	6.9	EUR
BASF Hungária Kft.	Budapest (Hungary)	100.00	100.00	5,984.6	1,568.5	HUF
BASF Intertrade AG	Zug (Switzerland)	100.00	100.00	146.1	86.4	USD
BASF IP Management C.V.	Arnhem (Netherlands)	100.00	0.00	36.0	4.7	EUR
BASF Ireland Ltd.	Dublin (Ireland)	100.00	0.00	13,456.7	50.4	EUR
BASF Italia S.p.A.	Cesano Maderno (Italy)	100.00	100.00	677.2	43.6	EUR
BASF Metal Forwards Ltd.	London (United Kingdom)	100.00	0.00	53.9	-0.4	USD
BASF Metals GmbH	Zug (Switzerland)	100.00	0.00	44.3	-0.2	USD
BASF Metals Ltd.	London (United Kingdom)	100.00	0.00	180.1	59.1	USD
BASF Metals Recycling Ltd.	Cinderford (United Kingdom)	100.00	0.00	7.2	8.4	GBP
BASF Nederland B.V.	Arnhem (Netherlands)	100.00	100.00	13,510.9	2,613.9	EUR
BASF Operations B.V.	Arnhem (Netherlands)	100.00	0.00	24.2	29.8	EUR
BASF Österreich GmbH	Vienna (Austria)	100.00	1.00	37.9	2.2	EUR
BASF Oy	Helsinki (Finland)	100.00	100.00	41.4	3.1	EUR
BASF Pharma (Callanish) Ltd.	Stockport (United Kingdom)	100.00	0.00	-32.7	-1.9	GBP
BASF Pharma Belgium NV	Antwerp (Belgium)	100.00	0.00	11.1	-0.0	EUR
BASF plc	Stockport (United Kingdom)	100.00	0.00	157.7	-4.6	GBP

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<sup>2</sup> Profit and loss transfer agreement

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Polska Sp. z o.o.	Warsaw (Poland)	100.00	100.00	311.6	114.1	PLN
BASF Portuguesa, S.A.	Prior Velho (Portugal)	100.00	0.00	6.4	3.3	EUR
BASF S.R.L.	Bucharest (Romania)	100.00	100.00	94.3	20.5	RON
BASF Schweiz AG	Basel (Switzerland)	100.00	0.00	942.2	30.4	CHF
BASF Slovensko spol s.r.o.	Bratislava (Slovakia)	100.00	100.00	13.9	2.7	EUR
BASF spol s.r.o.	Prague (Czech Republic)	100.00	100.00	222.3	111.9	CZK
BASF T.O.V. LLC	Kyiv (Ukraine)	100.00	0.00	1,276.0	359.1	UAH
BASF Taiwan B.V.	Arnhem (Netherlands)	100.00	0.00	133.0	41.5	EUR
BASF Tuerk Kimya Sanayi ve Ticaret Ltd. Sti.	Istanbul (Turkey)	100.00	0.00	566.1	244.6	TRY
BASF UK Holdings Ltd.	Stockport (United Kingdom)	100.00	100.00	30.8	0.0	GBP
Becker Underwood (UK) Limited	Stockport (United Kingdom)	100.00	0.00	74.0	5.5	GBP
BU International Holding Company Ltd.	Stockport (United Kingdom)	100.00	0.00	63.1	5.5	GBP
Chemetall AB	Hisings Backa (Sweden)	100.00	0.00	124.9	16.1	SEK
Chemetall B.V.	Oss (Netherlands)	100.00	0.00	59.6	47.8	EUR
Chemetall Hungária Vegyiparianyagok Forgalmazó Korlátolt Felelősségű Társaság	Budapest (Hungary)	100.00	0.00	1,008.1	263.4	HUF
Chemetall India Company Ltd.	Bletchley (United Kingdom)	100.00	0.00	2.3	0.7	GBP
Chemetall Italia S.r.l.	Giussano (Italy)	100.00	0.00	36.5	1.1	EUR
Chemetall Ltd.	Bletchley (United Kingdom)	100.00	0.00	117.1	2.8	GBP
Chemetall Polska Sp. z o.o.	Warsaw (Poland)	100.00	0.00	48.8	21.4	PLN
Chemetall S.A. Unipersonal	Canovelles (Spain)	100.00	0.00	51.3	0.4	EUR
Chemetall S.A.S.	Gennevilliers (France)	100.00	0.00	220.6	-1.8	EUR
Chemetall S.R.L.	Giussano (Italy)	100.00	0.00	-10.2	2.3	EUR
Chemetall Sanayi Kimyasallari Ticaret ve Sanayi A.S.	Kocaeli (Turkey)	100.00	0.00	161.2	42.7	TRY
Ciba Specialty Chemicals Water Treatments Ltd.	Stockport (United Kingdom)	100.00	0.00	0.0	-0.0	GBP
Ciba UK Investment Ltd.	Stockport (United Kingdom)	100.00	0.00	0.1	0.0	GBP
Cognis B.V.	Arnhem (Netherlands)	100.00	0.00	878.9	0.1	EUR
Dom v Kadashah LLC	Moscow (Russian Federation)	100.00	0.01	121.9	4.4	RUB
Esuco Beheer B.V.	Arnhem (Netherlands)	100.00	0.00	0.1	0.0	EUR
HKZ Investor Holding B.V.	Arnhem (Netherlands)	100.00	0.00	548.7	-3.8	EUR
Isobionics B.V.	Geleen (Netherlands)	100.00	0.00	41.8	-1.8	EUR
KENDELL S.r.l.	Roveredo in Piano (Italy)	100.00	0.00	0.7	0.3	EUR
Knight Chimiques de Spécialité S.A.S.	Gennevilliers (France)	100.00	0.00	7.5	-0.0	EUR
MicroBio Canada Limited	Stockport (United Kingdom)	100.00	0.00	29.3	0.0	GBP
Nehalennia 5 B.V.	Amsterdam (Netherlands)	100.00	0.00	143.5	0.0	EUR
Nehalennia 6 B.V.	Amsterdam (Netherlands)	100.00	0.00	149.2	0.0	EUR
Nehalennia 11 B.V.	Amsterdam (Netherlands)	100.00	0.00	130.8	0.0	EUR
Nehalennia 12 B.V.	Amsterdam (Netherlands)	100.00	0.00	136.3	0.0	EUR
Nunhems B.V.	Nunhem (Netherlands)	100.00	0.00	197.8	-0.2	EUR
Nunhems France S.A.S.	Beaucouzé Cedex (France)	100.00	0.00	4.3	0.6	EUR
Nunhems Hungary Kft	Budapest (Hungary)	100.00	0.00	196.9	18.1	HUF
Nunhems Italy S.r.l.	Sant'Agata Bolognese (Italy)	100.00	0.00	17.0	0.7	EUR
Nunhems Netherlands B.V.	Nunhem (Netherlands)	100.00	0.00	711.9	-30.3	EUR
Nunhems Poland Sp. z o.o.	Warsaw (Poland)	100.00	0.00	5.7	0.3	PLN
Nunhems Spain S.A.	Paterna (Spain)	100.00	0.00	57.2	6.2	EUR
Nunhems Tohumculuk AS	Antalya (Turkey)	100.00	0.00	157.7	47.5	TRY
Nunhems UK Ltd	Stockport (United Kingdom)	100.00	0.00	0.8	-0.1	GBP
NUNHEMS UKRAINE LLC	Kyiv (Ukraine)	100.00	0.00	88.6	9.9	UAH

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
OOO BASF	Moscow (Russian Federation)	100.00	0.01	4,724.2	3,389.0	RUB
OOO BASF Wostok	Pawlovski Possad (Russian Federation)	100.00	0.00	1,033.0	307.4	RUB
OOO BASF Yug	Moscow (Russian Federation)	100.00	0.00	37.0	24.4	RUB
OOO Chemetall	Moscow (Russian Federation)	100.00	0.00	448.4	56.0	RUB
Rolic Technologies Ltd.	Allschwil (Switzerland)	100.00	0.00	67.4	4.2	CHF
Société Foncière et Industrielle S.A.S.	Clermont de l'Oise (France)	92.90	0.00	9.3	0.1	EUR
<b>North America</b>						
BASF Agricultural Solutions Puerto Rico LLC	San Juan (Puerto Rico)	100.00	0.00	16.7	0.1	USD
BASF Agricultural Solutions Seed US LLC	Florham Park, New Jersey (USA)	100.00	0.00	3,097.9	50.8	USD
BASF Agricultural Specialties Ltd.	Saskatoon, Saskatchewan (Canada)	100.00	0.00	56.4	-3.0	CAD
BASF California Inc.	Florham Park, New Jersey (USA)	100.00	0.00	369.1	25.2	USD
BASF Canada Inc.	Mississauga, Ontario (Canada)	100.00	100.00	696.0	121.4	CAD
BASF Catalysts Holding China LLC	Florham Park, New Jersey (USA)	96.25	0.00	-1.1	-0.5	USD
BASF Catalysts Holding LLC	Florham Park, New Jersey (USA)	100.00	0.00	727.1	31.5	USD
BASF Catalysts LLC	Florham Park, New Jersey (USA)	100.00	0.00	18.0	24.6	USD
BASF Corporation	Florham Park, New Jersey (USA)	100.00	0.00	10,282.4	1,215.2	USD
BASF de Costa Rica, S.A.	San Jose (Costa Rica)	100.00	0.00	22.9	-1.6	USD
BASF de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00	99.99	140.6	20.9	USD
BASF Enzymes LLC	San Diego, California (USA)	100.00	0.00	-88.2	-13.7	USD
BASF Intertrade Corporation	Houston, Texas (USA)	100.00	0.00	45.9	18.2	USD
BASF Investments Canada Inc.	New Westminster, British Columbia (Canada)	100.00	0.00	429.0	1.4	USD
BASF Mexicana, S.A. de C.V.	Mexico City (Mexico)	100.00	0.00	456.3	68.7	USD
BASF Pipeline Holdings LLC	Houston, Texas (USA)	100.00	0.00	18.4	1.3	USD
BASF Plant Science LP	Raleigh, North Carolina (USA)	100.00	0.00	155.6	10.8	USD
BASF Qtech Inc.	Mississauga, Ontario (Canada)	100.00	0.00	-22.0	-0.9	CAD
BASF TODA America LLC	Iselin, New York (USA)	100.00	0.00	56.4	-1.1	USD
BASF TotalEnergies Petrochemicals LLC	Wilmington, Delaware (USA)	60.00	0.00	753.8	679.2	USD
BASF UK Finance LLC	Wilmington, Delaware (USA) <sup>3</sup>	100.00	0.00	4,879.2	193.2	USD
BASF USA Holding LLC	Florham Park, New Jersey (USA)	100.00	0.00	4,658.0	1,000.0	USD
Becker Underwood UK Inc.	Ames, Iowa (USA)	100.00	0.00	159.4	7.3	USD
Chemetall Canada Limited	Mississauga, Ontario (Canada)	100.00	0.00	14.9	1.8	CAD
Chemetall Mexicana, S.A. de C.V.	El Marques (Mexico)	100.00	0.00	38.9	2.5	USD
Chemetall U.S., Inc.	New Providence, New Jersey (USA)	100.00	0.00	695.4	36.9	USD
Cognis USA LLC	Cincinnati, Ohio (USA)	100.00	0.00	806.7	-56.6	USD
Engelhard Asia-Pacific LLC	Wilmington, Delaware (USA)	100.00	0.00	148.5	22.1	USD
Lumerica Insurance Company	West Trenton, New Jersey (USA)	100.00	0.00	324.9	12.2	USD
Nunhems México, S.A. de C.V.	León, Guanajuato (Mexico)	100.00	0.00	220.1	16.6	MXN
Nunhems USA, Inc.	Parma, Ohio (USA)	100.00	0.00	52.1	8.7	USD
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	23.9	0.5	USD
TRADEWINDS Chemicals Corporation	Florham Park, New Jersey (USA)	100.00	0.00	22.0	420.0	USD
ZedX, Inc.	Bellefonte, Pennsylvania (USA)	100.00	0.00	2.8	-3.1	USD

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.  
<sup>3</sup> Administrative headquarters in Stockport, Cheshire (United Kingdom)



Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Asia Pacific</b>						
BASF (China) Company Ltd.	Shanghai (China)	100.00	100.00	6,544.2	517.7	CNY
BASF (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	100.00	0.00	356.3	-15.2	MYR
BASF (Thai) Ltd.	Bangkok (Thailand)	100.00	100.00	2,519.8	513.8	THB
BASF Advanced Chemicals Co., Ltd.	Shanghai (China)	100.00	0.00	3,545.4	392.8	CNY
BASF Asia-Pacific Service Centre Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	0.00	49.4	9.9	MYR
BASF Australia Ltd.	Southbank (Australia)	100.00	0.00	107.0	18.4	AUD
BASF Care Chemicals (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	2,461.8	139.8	CNY
BASF Catalysts (Guilin) Co., Ltd.	Guilin (China)	100.00	0.00	582.5	30.0	CNY
BASF Catalysts (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	5,311.3	687.2	CNY
BASF Catalysts India Private Ltd.	Mumbai (India)	95.00	0.00	6,855.6	2,225.3	INR
BASF Central Asia LLP	Almaty (Kazakhstan)	100.00	0.00	5,219.4	2,508.8	KZT
BASF Chemcat (Thailand) Ltd.	Rayong (Thailand)	80.00	0.00	539.1	-26.4	THB
BASF Chemicals Company Ltd.	Shanghai (China)	100.00	0.00	805.5	1,182.1	CNY
BASF Chemicals India Pvt. Ltd.	Mumbai (India)	100.00	0.00	2,161.0	171.3	INR
BASF Coatings (Guangdong) Co., Limited	Jiangmen (China)	100.00	0.00	126.2	3.1	CNY
BASF Company Ltd.	Seoul (South Korea)	100.00	0.00	1,119,685.0	282,895.0	KRW
BASF Crop Protection (JiangSu) Co., Ltd.	Rudong County (China)	100.00	0.00	361.7	146.7	CNY
BASF East Asia Regional Headquarters Ltd.	Hong Kong (China)	100.00	0.00	721.4	971.7	HKD
BASF Electronic Materials (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	99.9	55.9	CNY
BASF Engineering Plastics (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	613.1	20.7	CNY
BASF Environmental Technologies (Shanghai) Co., Ltd.	Shanghai (China)	96.25	0.00	491.6	133.1	CNY
BASF Gao-Qiao Performance Chemicals (Shanghai) Co., Ltd.	Shanghai (China)	75.00	0.00	559.6	-3.3	CNY
BASF High Purity Electronic Chemicals Production (Jiaxing) Company Limited	Jiaxing (China)	100.00	0.00	146.3	38.8	CNY
BASF Hong Kong Ltd.	Hong Kong (China)	100.00	0.00	177.3	127.0	USD
BASF India Limited	Mumbai (India)	73.33	52.75	22,696.0	5,176.4	INR
BASF Integrated Site (Guangdong) Co., Ltd.	Zhanjiang (China)	100.00	50.00	3,265.6	-320.1	CNY
BASF International Trading (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	13.1	9.7	CNY
BASF Intertrade (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	172.3	8.6	CNY
BASF Japan Ltd.	Tokyo (Japan)	100.00	0.00	32,531.0	6,756.0	JPY
BASF Markor Chemical Manufacturing (Xinjiang) Company Limited	Korla (China)	51.00	0.00	670.7	528.1	CNY
BASF Metals (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00	997.1	329.8	CNY
BASF Metals Japan Ltd.	Tokyo (Japan)	100.00	100.00	7,336.0	2,883.0	JPY
BASF New Zealand Ltd.	Auckland (New Zealand)	100.00	100.00	15.5	4.3	NZD
BASF Paper Chemicals (Huizhou) Co., Ltd.	Huizhou City (China)	100.00	0.00	-75.1	15.7	CNY
BASF Paper Chemicals (Jiangsu) Co., Ltd.	Jiangsu (China)	100.00	0.00	476.2	130.8	CNY
BASF Performance Polyamides Korea Co., Ltd.	Ulsan (South Korea)	100.00	0.00	185,851.0	39,450.0	KRW
BASF Performance Products Ltd.	Shanghai (China)	100.00	0.00	1,235.8	10.2	CNY
BASF PETRONAS Chemicals Sdn. Bhd.	Petaling Jaya (Malaysia)	60.00	0.00	536.7	289.4	USD
BASF Polyurethane Specialties (China) Co., Ltd.	Shanghai (China)	100.00	7.00	2,881.5	100.7	CNY
BASF Polyurethanes (China) Co., Ltd.	Guangzhou (China)	100.00	0.00	232.8	17.8	CNY
BASF Polyurethanes (Chongqing) Co., Ltd.	Chongqing (China)	100.00	100.00	6,606.8	1,862.0	CNY
BASF Polyurethanes (Tianjin) Co., Ltd.	Tianjin (China)	100.00	0.00	98.1	28.3	CNY
BASF Services (Malaysia) Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	100.00	198.2	5.6	MYR
BASF Shanghai Coatings Co., Ltd.	Shanghai (China)	60.00	0.00	1,734.8	289.8	CNY

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Shanshan Battery Materials (Ningxia) Co., Ltd	Shizuishan (China)	100.00	0.00	794.0	42.3	CNY
BASF Shanshan Battery Materials (Ningxiang) Co., Ltd.	Changsha (China)	100.00	0.00	1,217.4	130.4	CNY
BASF Shanshan Battery Materials Co., Ltd.	Changsha (China)	51.00	51.00	3,067.9	59.6	CNY
BASF South East Asia Pte. Ltd.	Singapore (Singapore)	100.00	0.00	242.0	82.7	USD
BASF Specialty Chemicals (Nanjing) Co., Ltd.	Nanjing (China)	100.00	0.00	500.0	-29.2	CNY
BASF Taiwan Ltd.	Taipeh (Taiwan)	100.00	0.00	6,276.1	1,255.7	TWD
BASF TODA Battery Materials, LLC	Yamaguchi (Japan)	66.00	0.00	12,176.0	1,474.0	JPY
BASF Vietnam Co., Ltd.	Ben Nghe Ward (Vietnam)	100.00	0.00	565,121.0	161,979.0	VND
BASF Vitamins Company Ltd.	Shenyang (China)	100.00	60.00	600.8	5.9	CNY
Chemetall (Australasia) Pty. Ltd.	Melbourne (Australia)	100.00	0.00	31.6	0.7	AUD
Chemetall (Thailand) Co., Ltd.	Bangkok (Thailand)	100.00	0.00	74.8	24.7	THB
Chemetall Asia Pte. Ltd.	Singapore (Singapore)	100.00	0.00	102.4	67.2	SGD
Chemetall India Private Ltd.	Pune (India)	100.00	0.00	3,971.8	133.4	INR
Chemetall New Zealand Ltd.	Avondale (New Zealand)	100.00	0.00	17.4	-0.2	NZD
Chemetall Philippines Co., Ltd., Inc.	Taguig (Philippines)	99.95	0.00	30.4	-0.0	PHP
Chemetall Surface Treatment Holding Co., Ltd.	Bangkok (Thailand)	49.33 <sup>4</sup>	0.00	-4.4	-1.6	THB
Nunhems Australia Pty Ltd	Northgate (Australia)	100.00	0.00	2.9	0.7	AUD
Nunhems Beijing Seeds Company Ltd.	Beijing (China)	80.00	0.00	6.4	4.2	CNY
NUNHEMS INDIA PRIVATE LIMITED	Kandlakoya (India)	99.99	0.00	6,446.4	152.1	INR
PT BASF Care Chemicals Indonesia	Jakarta (Indonesia)	84.70	0.00	650,742.0	21,743.0	IDR
PT BASF Distribution Indonesia	Jakarta (Indonesia)	100.00	0.00	548,145.0	360,488.0	IDR
PT BASF Indonesia	Jakarta (Indonesia)	99.99	99.99	640,797.0	-110,430.0	IDR
Shanghai BASF Polyurethane Company Ltd.	Shanghai (China)	70.00	0.00	3,506.2	1,708.6	CNY
Shanghai Chemetall Chemicals Co., Ltd.	Shanghai (China)	100.00	0.00	3,052.6	17.8	CNY
Zhejiang Chemetall Surface Treatment Materials Co., Ltd.	Jiaxing (China)	100.00	0.00	216.1	-21.1	CNY
<b>South America, Africa, Middle East</b>						
BASF Argentina S.A.	Buenos Aires (Argentina)	100.00	0.00	5,765.2	-779.4	ARS
BASF Chile S.A.	Santiago de Chile (Chile)	100.00	0.00	43,239.0	11,249.0	CLP
BASF Coatings Services (Pty.) Ltd.	Cape Town (South Africa)	100.00	0.00	149.2	26.4	ZAR
BASF Corporate Services Chile S.A.	Santiago de Chile (Chile)	100.00	99.93	17,972.0	7,425.0	CLP
BASF FZE	Dubai (United Arab Emirates)	100.00	100.00	69.4	11.9	AED
BASF Holdings South Africa (Pty.) Ltd.	Midrand (South Africa)	100.00	0.00	80.9	91.9	ZAR
BASF Plastic Additives Middle East W.L.L.	Al Hidd (Bahrain)	100.00	0.00	2.0	0.4	BHD
BASF Poliuretanos Ltda.	Maua (Brazil)	100.00	0.00	134.1	32.3	BRL
BASF Química Colombiana S.A.	Bogota (Colombia)	99.99	0.00	99,427.0	21,996.0	COP
BASF S.A.	São Paulo (Brazil)	100.00	0.00	6,525.5	1,462.1	BRL
BASF Services Americas S.R.L.	Montevideo (Uruguay)	100.00	0.00	41.4	163.3	UYU
BASF South Africa (Pty.) Ltd.	Midrand (South Africa)	100.00	0.00	2,824.7	255.5	ZAR
Bioseeds S.A.	Buenos Aires (Argentina)	100.00	0.00	250.3	140.9	ARS
CA Pesquisa e Comercio de Sementes Ltda.	Campinas (Brazil)	100.00	0.00	30.3	-3.2	BRL
Chemetall (Proprietary) Ltd.	Boksburg (South Africa)	100.00	0.00	329.3	-29.7	ZAR
Chemetall do Brasil Ltda.	Jundiai (Brazil)	100.00	0.00	45.5	9.8	BRL
Chemetall S.R.L.	Buenos Aires (Argentina)	100.00	0.00	124.9	37.2	ARS
Nunhems Chile SpA	Santiago de Chile (Chile)	100.00	0.00	11,066.0	176.0	CLP
NUNHEMS ISRAEL SEEDS 2018 LTD	Hod Hasharon (Israel)	100.00	0.00	1.5	1.2	ILS
Nunhems Maroc SARL	Casablanca (Morocco)	100.00	100.00	41.2	4.6	MAD
The BASF South Africa Trust	Johannesburg (South Africa)	0.00 <sup>4</sup>	0.00	4.1	2.7	ZAR

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

<sup>4</sup> Control in accordance with IFRS 10

**Proportionally consolidated joint operations**

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Rest of Europe</b>						
Alsachimie S.A.S.	Chalampé (France)	51.00	51.00	75.2	2.5	EUR
BASF DOW HPPO Holding B.V.	Hoek (Netherlands)	50.00	0.00	21.7	15.5	EUR
BASF DOW HPPO Production BV	Antwerp (Belgium)	50.00	0.00	47.1	12.4	EUR
Butachimie SNC	Chalampé (France)	50.00	50.00	171.0	19.7	EUR
Ellba C.V.	Rotterdam (Netherlands)	50.00	0.00	78.5	25.1	EUR
HPPO Holding and Finance C.V.	Hoek (Netherlands)	50.00	0.00	21.7	15.5	EUR
Zandvliet Power NV	Antwerp (Belgium)	50.00	0.00	17.2	0.0	EUR
<b>Asia Pacific</b>						
KOLON BASF innoPOM Inc.	Gimcheon (South Korea)	50.00	0.00	53.7	2.8	USD
Toray BASF PBT Resin Sdn. Bhd.	Kuala Lumpur (Malaysia)	50.00	50.00	35.9	9.1	MYR

**Joint ventures accounted for using the equity method**

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Rest of Europe</b>						
BASF Interox H2O2 Production NV	Brussels (Belgium)	50.00	0.00	0.0	43.8	EUR
BASF Sonatrach Propanchem S.A.	Tarragona (Spain)	51.00	0.00	46.5	24.3	EUR
<b>North America</b>						
Poliolles, S.A. de C.V.	Lerma (Mexico)	50.00	0.00	30.6	2.7	USD
Southeast Texas Pipelines LLC	Wilmington, Delaware (USA)	60.00	0.00	33.3	26.5	USD
<b>Asia Pacific</b>						
BASF INOAC Polyurethanes Ltd.	Shinshiro (Japan)	50.00	0.00	6,053.0	1,318.0	JPY
BASF MPCC Company Limited	Guangdong (China)	50.00	0.00	1,302.0	678.2	CNY
BASF PJPC Neopentylglycol Co., Ltd.	Jilin City (China)	60.00	50.00	165.3	-1.1	CNY
BASF-YPC Company Ltd.	Nanjing (China)	50.00	10.00	16,490.2	6,241.7	CNY
Changchun Chemetall Chemicals Co., Ltd.	Changchun (China)	57.00	0.00	48.3	1.9	CNY
Heesung Catalysts Corporation	Seoul (South Korea)	50.00	0.00	792,031.0	187,076.0	KRW
Heesung PMTech Corporation	Seoul (South Korea)	40.05	0.00	792,031.0 <sup>5</sup>	187,076.0 <sup>5</sup>	KRW
N.E. Chemcat Corporation	Tokyo (Japan)	50.00	0.00	46,964.0	6,268.0	JPY
Thai Ethoxylate Co., Ltd.	Bangkok (Thailand)	50.00	0.00	1,301.6	270.7	THB

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

<sup>5</sup> Figures relate to the superordinate company (Heesung Catalysts Corporation)

**Associated companies accounted for using the equity method**

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
<b>Germany</b>						
ARG mbH & Co. KG	Oberhausen	24.89	24.89	7.8 <sup>6</sup>	9.4 <sup>6</sup>	EUR
Lucura Versicherungs AG	Ludwigshafen (Rhein)	100.00	0.00	393.9	14.3	EUR
Wintershall Dea AG	Kassel/Hamburg	72.70	0.00	7,851.5 <sup>7</sup>	593.0 <sup>7</sup>	EUR
<b>Rest of Europe</b>						
BASF Huntsman Shanghai Isocyanate Investment B.V.	Arnhem (Netherlands)	50.00	0.00	158.8	6.9	EUR
CIMO Compagnie industrielle de Monthey S.A.	Monthey (Switzerland)	15.00 <sup>8</sup>	0.00	247.8	6.4	CHF
Quantafuel ASA	Oslo (Norway)	10.59 <sup>8</sup>	0.00	654.0 <sup>6</sup>	-502.3 <sup>6</sup>	NOK
Stahl Lux 2 S.A.	Luxembourg (Luxembourg)	16.32 <sup>8</sup>	0.00	292.9	35.4	EUR
Vattenfall Hollandse Kust Zuid 1&2 Beheer B.V.	Amsterdam (Netherlands)	49.00	0.00	1.7	0.0	EUR
Vattenfall Hollandse Kust Zuid 1&2 C.V.	Amsterdam (Netherlands)	49.49	0.00	173.8	-0.1	EUR
Vattenfall Hollandse Kust Zuid 3&4 Beheer B.V.	Amsterdam (Netherlands)	49.00	0.00	1.3	0.0	EUR
Vattenfall Hollandse Kust Zuid 3&4 C.V.	Amsterdam (Netherlands)	49.49	0.00	133.6	-0.3	EUR
<b>North America</b>						
Yara Freeport LLC	Wilmington, Delaware (USA)	32.00	0.00	297.0	-0.1	USD
<b>Asia Pacific</b>						
Markor Meiou Chemical (Xinjiang) Co., Ltd.	Korla (China)	49.00	0.00	1,111.3	815.4	CNY
Shanghai Lianheng Isocyanate Co., Ltd.	Shanghai (China)	35.00	0.00	1,884.4	116.0	CNY

**II. Shareholdings not consolidated due to immateriality**
**Subsidiaries not consolidated due to immateriality**

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)
<b>Germany</b>			
Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH	Mönchengladbach	100.00	0.00
baseclick GmbH	Neuried	67.23	0.00
BASF 3D Printing Solutions GmbH	Heidelberg	100.00	0.00
BASF Biorenewable Beteiligungs GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00
BASF Coatings Services GmbH	Dortmund	100.00	0.00
BASF Deutsche Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Digital Farming GmbH	Münster	100.00	0.00
BASF Fuel Cell GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Fuel Cell Pensionsverwaltung GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Gastronomie GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Immobilien-Gesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00
BASF Innovationsfonds GmbH	Ludwigshafen (Rhein)	100.00	0.00
BASF Jobmarkt GmbH	Ludwigshafen (Rhein)	100.00	100.00
BASF Lizenz GmbH	Ludwigshafen (Rhein)	100.00	0.00

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

<sup>6</sup> Financial statements for the 2020 fiscal year

<sup>7</sup> Figures for the Wintershall Dea group excluding the fair value adjustments recognized on initial consolidation of Wintershall Dea

<sup>8</sup> BASF exercises significant influence over financial and corporate policy.

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)
BASF Logistics GmbH	Frankenthal	100.00	0.00
BASF Metabolome Solutions GmbH	Berlin	100.00	0.00
BASF Mobilienleasing GmbH & Co. KG	Monheim	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	Schwarzeide	100.00	100.00
BASF watertechnologies GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	0.00
BFC Research GmbH	Ludwigshafen (Rhein)	100.00	0.00
CHEMOVATOR 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
FSB Flugplatz Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	0.00
Gesellschaft zur Förderung der Lackkunst mbH	Münster	100.00	0.00
Gewerkschaft des konsolidierten Steinkohlebergwerks Breitenbach GmbH	Ludwigshafen (Rhein)	100.00	100.00
Guano-Werke Pensionsverwaltung GmbH	Ludwigshafen (Rhein)	100.00	0.00
Guano-Werke Verwaltungs GmbH	Ludwigshafen (Rhein)	100.00	0.00
LUCARA Immobilienverwaltungs-GmbH	Ludwigshafen (Rhein)	100.00	100.00
Projektentwicklungs-GmbH Friesenheimer Insel	Ludwigshafen (Rhein)	100.00	100.00
RepairFix GmbH	Münster	100.00	0.00
SGS - Schwarzeider Gastronomie und Service GmbH	Schwarzeide	100.00	0.00
SunGene GmbH	Ludwigshafen (Rhein)	100.00	0.00
<b>Rest of Europe</b>			
A.M. Craig Limited	Bletchley (United Kingdom)	100.00	0.00
Allied Colloids Group Limited	Stockport (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 Catalysts Canada B.V.	Arnhem (Netherlands)	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.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 SA	Bornem (Belgium)	100.00	0.00
BASF Coatings Services Sp. z o.o.	Warsaw (Poland)	100.00	0.00
BASF Croatia d.o.o.	Zagreb (Croatia)	100.00	100.00
BASF Digital Solutions S.L.	Madrid (Spain)	100.00	0.00
BASF EOOD	Sofia (Bulgaria)	100.00	100.00
BASF Industrial Metals LLC	Moscow (Russian Federation)	100.00	0.00
BASF IP Management B.V.	Arnhem (Netherlands)	100.00	0.00
BASF Pensions Trustee Limited	Stockport (United Kingdom)	100.00	0.00
BASF Performance Products Ltd.	Stockport (United Kingdom)	100.00	0.00
BASF SIA	Marupe (Latvia)	100.00	0.00
BASF Slovenija d.o.o.	Ljubljana (Slovenia)	100.00	100.00

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)
BASF Srbija d.o.o.	Belgrade (Serbia)	100.00	100.00
BASF UAB	Vilnius (Lithuania)	100.00	100.00
BCI PENSIONS TRUSTEE LIMITED	Bletchley (United Kingdom)	100.00	0.00
Brent Europe Ltd.	Bletchley (United Kingdom)	100.00	0.00
Brent International B.V.	Bletchley (United Kingdom)	100.00	0.00
Chem2U AG	Basel (Switzerland)	100.00	0.00
Chemserve Ltd.	Bletchley (United Kingdom)	100.00	0.00
Cloudfarms a.s.	Bratislava (Slovakia)	100.00	0.00
Cloudfarms ApS	Horsens (Denmark)	100.00	0.00
Cognis Holdings UK Ltd.	Stockport (United Kingdom)	100.00	0.00
CropDesign NV	Nevele (Belgium)	100.00	0.00
Engelhard Arganda S.L.	Tarragona (Spain)	100.00	100.00
FLLC BASF	Minsk (Belarus)	100.00	0.00
Inca Bronze Powders Ltd.	Stockport (United Kingdom)	100.00	0.00
Interlates Ltd.	Stockport (United Kingdom)	100.00	0.00
Low Moor Securities Ltd.	Stockport (United Kingdom)	100.00	0.00
Sculpteo SAS	Villejuif (France)	100.00	0.00
SETUP Performance SAS	Frontonas (France)	100.00	0.00
The Brent Manufacturing Company Ltd.	Bletchley (United Kingdom)	100.00	0.00
The MicroBio Group Limited	Stockport (United Kingdom)	100.00	0.00
The Sheffield Smelting Co. Ltd.	Stockport (United Kingdom)	100.00	0.00
UBench BV	Turnhout (Belgium)	75.00	0.00
UBench International NV	Turnhout (Belgium)	100.00	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 de El Salvador, S.A. de C.V.	San Salvador (El Salvador)	100.00	99.95
BASF de Guatemala S.A.	Guatemala City (Guatemala)	100.00	99.34
BASF Dominicana S.A.	Santo Domingo (Dominican Republic)	100.00	100.00
BASF Properties Inc.	Mississauga, Ontario (Canada)	100.00	0.00
BASF Venture Capital America Inc.	Fremont, California (USA)	100.00	0.00
Ciba S.A. (ACC)	Guatemala City (Guatemala)	100.00	0.00
EnerG2 Technologies, Inc.	Seattle, Washington (USA)	100.00	0.00
Ovonix Battery Company Inc.	Iselin, New Jersey (USA)	100.00	0.00
Sculpteo Inc.	Lewes, Delaware (USA)	100.00	0.00
SkyBit Inc.	Boalsburg, Pennsylvania (USA)	100.00	0.00
Thousand Springs Trout Farms, Inc.	Florham Park, New Jersey (USA)	100.00	0.00
<b>Asia Pacific</b>			
BASF (Cambodia) Co., Ltd.	Phnom Penh (Cambodia)	100.00	0.00
BASF Azerbaijan LLC	Baku (Azerbaijan)	100.00	0.00
BASF Bangladesh Ltd.	Dhaka (Bangladesh)	76.41	76.41
BASF Chem Products FC LLC	Taschkent (Uzbekistan)	100.00	0.00
BASF China Limited	Hong Kong (China)	100.00	0.00

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)
BASF Coatings + Inks Philippines Inc.	Makati (Philippines)	100.00	0.00
BASF Grameen Ltd.	Dhaka (Bangladesh)	99.50	99.50
BASF Lanka (Private) Limited	Colombo (Sri Lanka)	100.00	99.99
BASF Myanmar Ltd.	Yangon (Myanmar)	100.00	0.00
BASF Pakistan (Pvt.) Limited	Karachi (Pakistan)	100.00	100.00
BASF Philippines, Inc.	Taguig (Philippines)	100.00	100.00
BASF See Sen Sdn. Bhd.	Kemaman (Malaysia)	70.00	70.00
BASF Venture Capital (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00
BNC Color Techno Co., Ltd.	Kanagawa (Japan)	100.00	0.00
Chemetall (Shanghai) International Trading Co., Ltd.	Shanghai (China)	100.00	0.00
Chemetall Hong Kong Ltd.	Hong Kong (China)	100.00	0.00
Doobon Fine Chemical Co., Ltd.	Cheongju (South Korea)	63.00	0.00
Foshan Chemetall Surface Treatment Co., Ltd.	Foshan (China)	57.00	0.00
Rolic Technologies (Shanghai) Co., Ltd.	Shanghai (China)	100.00	0.00
<b>South America, Africa, Middle East</b>			
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 Chemicals Pars Co.	Teheran (Iran)	100.00	0.00
BASF Coatings (Pty.) Ltd.	Johannesburg (South Africa)	100.00	0.00
BASF DJIBOUTI FREE TRADE ZONE OPERATION FZE	Djibouti (Djibouti)	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 Kanoo Polyurethanes LLC	Dubai (United Arab Emirates)	49.00 <sup>9</sup>	0.00
BASF Limited LLC	Cairo (Egypt)	100.00	99.18
BASF Maroc S.A.	Casablanca (Morocco)	100.00	99.96
BASF Middle East Chemicals LLC	Abu Dhabi (United Arab Emirates)	75.00	0.00
BASF OPERATIONS LFTZ ENTERPRISE	Lagos (Nigeria)	100.00	0.00
BASF Paraguay S.A.	Asunción (Paraguay)	100.00	99.99
BASF Peruana S.A.	Lima (Peru)	100.00	99.79
BASF Saudi Arabia Limited Company	Al Dammam (Saudi Arabia)	75.00	0.00
BASF SpA	Algiers (Algeria)	100.00	100.00
BASF Uruguay S.A.	Montevideo (Uruguay)	100.00	100.00
BASF Venezolana S.A.	Caracas (Venezuela)	100.00	100.00
BASF West Africa Ltd.	Lagos (Nigeria)	100.00	0.00
BASF Zambia Limited	Lusaka (Zambia)	100.00	0.00
Engelhard (South Africa) (Pty.) Ltd.	Port Elizabeth (South Africa)	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
Wilhelm Rosenstein Ltd.	Ra'anana (Israel)	100.00	0.00
Wintershall BM-C-10 Ltda.	Rio de Janeiro (Brazil)	99.99	0.00

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

<sup>9</sup> Control in accordance with IFRS 10



**Associated companies not accounted for using the equity method due to immateriality**

<b>Company</b>	<b>Headquarters</b>	<b>Participating interest (%)<sup>1</sup></b>	<b>Of which BASF SE (%)</b>
<b>Germany</b>			
1000 Satellites GmbH	Mannheim	24.91	0.00
ARG Verwaltungs GmbH	Duisburg	25.00	25.00
Aurentum Innovationstechnologien GmbH	Mainz	48.20	0.00
baseclick Vaccine GmbH	Neuried	76.50	0.00
BigRep GmbH	Berlin	27.60	0.00
Boxlab Services GmbH	Ludwigshafen (Rhein)	40.00	0.00
Computomics GmbH	Tübingen	18.18	0.00
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH	Berlin	25.00	25.00
faCellitate GmbH	Mannheim	24.96	0.00
FSL Flugplatz Speyer/Ludwigshafen GmbH	Speyer	49.80	7.94
GAG Ludwigshafen am Rhein AG für Wohnungs-, Gewerbe- und Städtebau	Ludwigshafen (Rhein)	30.00	0.00
Infra Leuna Beteiligungs GmbH	Leuna	27.00	0.00
InnovationLab GmbH	Heidelberg	24.71	24.71
KTL Kombi-Terminal Ludwigshafen GmbH	Ludwigshafen (Rhein)	40.00	40.00
Pyrum Innovations AG	Dillingen	7.90	0.00
<b>Rest of Europe</b>			
Applied Nano Surfaces Sweden AB	Uppsala (Sweden)	41.20	0.00
ARA Kaisten AG	Kaisten (Switzerland)	25.00	0.00
B2B Cosmetics	La Seyne-Sur-Mer (France)	43.80	0.00
bci Betriebs-AG	Basel (Switzerland)	42.54	0.00
Brightlands Campus Greenport Venlo B.V.	Venlo (Netherlands)	33.30	0.00
Combi Terminal Catalonia Sociedad Limitada	Tarragona (Spain)	12.00	0.00
Combinant NV	Antwerp (Belgium)	45.00	0.00
CSEBER Nonprofit Közhasznú Kft.	Budapest (Hungary)	22.72	0.00
ecoRobotix SA	Yverdon-les-Bains (Switzerland)	13.10	0.00
Industriefeuerwehr Regio Basel AG (IFRB)	Muttenz (Switzerland)	33.33	0.00
siHealth Ltd.	Oxfordshire (United Kingdom)	24.90	0.00
Solenis UK International Ltd	London (United Kingdom)	49.00	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)	18.00	0.00
<b>Asia Pacific</b>			
Allied Carbon Solutions Co. Ltd.	Tokyo (Japan)	32.97	32.97
Fujian Evergreen New Energy Technology Co., Ltd.	Longyan (China)	30.00	0.00
Santoku BASF Pte. Ltd.	Singapore (Singapore)	49.00	49.00
<b>South America, Africa, Middle East</b>			
BASF Tunisie S.A.	Tunis (Tunisia)	49.00	48.56

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

**Joint ventures not accounted for using the equity method due to immateriality**

Company	Headquarters	Participating interest (%) <sup>1</sup>	Of which BASF SE (%)
<b>Germany</b>			
Bosch BASF Smart Farming GmbH	Cologne	50.00	0.00
KARANTO Corrosion Protection Technologies GmbH	Düsseldorf	50.00	0.00
<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 Atraque 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
<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 (%) <sup>1</sup>	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	4,525.2 <sup>10</sup>	180.2 <sup>10</sup>	JPY
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Zhuhai (China)	10.00	0.00	585.3 <sup>10</sup>	70.5 <sup>10</sup>	CNY
HK-MnS Co. Ltd.	Seoul (South Korea)	7.21	0.00	19,215.0 <sup>10</sup>	8,653.0 <sup>10</sup>	KRW

<sup>1</sup> Corresponds, in accordance with section 16 of the German Stock Corporation Act, to the interest of the BASF company with a direct shareholding in the company concerned.

<sup>10</sup> Financial statements for the 2020 fiscal year

### III. Information on subsidiaries

The German subsidiaries listed below, which have the legal form of either a corporation or a partnership, make use of the exemptions provided by section 264(3) or section 264b of the German Commercial Code (HGB):

Company	Headquarters
BASF Agricultural Solutions GmbH	Ludwigshafen (Rhein)
BASF Agro Trademarks GmbH	Ludwigshafen (Rhein)
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen (Rhein)
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)
BASF Catalysts Germany GmbH	Hannover
BASF Coatings GmbH	Münster
BASF Construction Additives GmbH	Trostberg
BASF Digital Solutions GmbH	Ludwigshafen (Rhein)
BASF Grenzach GmbH	Grenzach-Wyhlen
BASF Handels- und Exportgesellschaft mbH	Ludwigshafen (Rhein)
BASF IP Licensing GmbH	Monheim
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 Renewable Energy GmbH	Ludwigshafen (Rhein)
BASF Services Europe GmbH	Berlin
BASF Trostberger Grundbesitz GmbH	Ludwigshafen (Rhein)
BASF US Verwaltung GmbH	Ludwigshafen (Rhein)
BASF Wohnen + Bauen GmbH	Ludwigshafen (Rhein)
BTC Europe GmbH	Monheim
Chemetall GmbH	Frankfurt (Main)
Cognis Holding GmbH	Ludwigshafen (Rhein)
Cognis International GmbH	Monheim
Grünau Illertissen GmbH	Illertissen
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhein)
hte GmbH the high throughput experimentation company	Heidelberg
Nunhems Germany GmbH	Marbach
trinamiX GmbH	Ludwigshafen (Rhein)

Disclosures on BASF SE's position as a shareholder with unlimited liability pursuant to section 285 no. 11a HGB

<b>Company</b>	<b>Headquarters</b>
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.

<b>Company</b>	<b>Headquarters</b>
BASF Ireland Limited	Dublin (Ireland)

Ludwigshafen am Rhein, February 22, 2022

The Board of Executive Directors

## Assurance Pursuant to Sections 264(2) and 289(1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting rules, the Financial Statements of BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and Management's Report of BASF SE includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of BASF SE.

Ludwigshafen am Rhein, February 23, 2022

**Dr. Martin Brudermüller**

Chairman of the Board of Executive Directors

**Michael Heinz**

**Dr. Hans-Ulrich Engel**

Vice Chairman of the Board of Executive Directors and  
Chief Financial Officer

**Dr. Markus Kamieth**

**Saori Dubourg**

**Dr. Melanie Maas-Brunner**

Chief Technology Officer

## 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, 2021 and the statement of income for the financial year from January 1, 2021 to December 31, 2021 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, 2021 to December 31, 2021. 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, 2021 and of its financial performance for the financial year from January 1, 2021 to December 31, 2021 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, 2021 to December 31, 2021. 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, 2021, shares in affiliated companies in the amount of € 21,724 million and shares in other companies in the amount of € 448 million are presented under long-term financial assets on the balance sheet. This represents 35.6% of the balance sheet total resulting in a significant influence on the company's financial position.

Long-term financial assets are generally recognized at acquisition cost in the Annual Financial Statements prepared in accordance with German commercial law. If the fair value has fallen below the acquisition cost at the reporting date, an impairment must be recognized if the reduction in value is expected to be permanent. The fair value of the shares is determined by the company using the discounted cash flow method. In the case of investments held for sale, the fair value is derived from agreed selling prices. If the reasons for an impairment no longer apply, the impairment is reversed to cost.

The cash flows utilized for the discounted cash flow method are based on entity specific projections for the upcoming five years,

<sup>1</sup> This is a translation of the German original. Solely the original text in German language is authoritative.

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 companies and other companies in the amount of € 22 million. There have been reversals of impairment in the amount of € 42 million.

Impairment testing, including the calculation of fair value using 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 a risk for the Annual Financial Statements that the shares in affiliated companies and the shares in other companies have not been measured appropriately.

#### **Our Audit Approach**

In a first step, we evaluated the design and implementation of the controls established by BASF SE to identify and calculate the need for impairment and reversal of impairment. We examined in detail the approach used by the company to determine a need for impairment and, using the information gained in our audit, assessed whether there are indications of a need for impairment or reversal of impairment not identified by the company.

With respect to the valuation model, we assessed whether the valuation methods are consistent with the relevant valuation principles and the formulas used in the calculation files were applied correctly from a mathematical perspective. We satisfied ourselves with 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.

In addition, we assessed whether the cash flow projections underlying the valuations were 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 valuations are appropriate. In selected cases, we assessed the quality of planning by comparing planning in the past with actual annual results. Finally, we discussed the results of valuations with BASF and verified the accounting treatment of these results based on the company's calculations.

#### **Our Observations**

The approach used by BASF to test shareholdings for impairment (including the valuation model) is appropriate and consistent with the valuation principles. Overall, the assumptions and assessments underlying the company's calculations are appropriate.

#### **Measurement of pension obligations and plan assets**

For information on the accounting principles applied, please refer to Note 1 to the financial statements. The underlying assumptions used in the measurement of pension obligations are described in Note 17.

#### **The Financial Statement Risk**

As of December 31, 2021, BASF SE's pension obligations amounted to € 6,610 million. The fair value of the plan assets was € 6,617 million. Overall, the pension obligations covered by assets resulted in a positive financing position of € 94 million as of December 31, 2021, which is reported as an asset from the overfunding of pension obligations. In addition, the obligations not covered by assets amounting to € 87 million are reported as a provision for pensions and similar obligations.

Provisions for pension-related obligations are recognized based on reasonable commercial judgment of the amount needed to meet these obligations.

BASF SE uses the internationally accepted projected unit credit method as the actuarial method for calculating the amount needed to meet obligations based on reasonable commercial judgment. BASF uses an external actuary here. The assumptions applied in the process are determined by BASF SE. The company assumed a salary growth of 2.50% and a projected pension increase of 1.60% for the calculation as of December 31, 2021. With regards 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.

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. 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.

### Other Information

The Board of Executive Directors and the Supervisory Board are responsible for the other information. The other information comprises the following components of the Management Report, whose content was not audited:

- the non-financial statement, included in section “Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB)” of the Management Report,
- the corporate governance statement, included in section “Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)” of the Management Report, and
- the information extraneous to management reports and marked as unaudited.

The other Information also includes the remaining parts of the Annual Report.

The other information does not include the Annual Financial Statements, the audited parts of the Management Report and our auditor’s report.

Our opinions on the Annual Financial Statements and on the Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Annual Financial Statements, with the Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### Responsibilities of the Board of Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The Board of Executive Directors is responsible for the preparation of the Annual Financial Statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the Board of Executive Directors is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Board of Executive Directors is responsible for assessing the company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Board of Executive Directors is responsible for the preparation of the Management Report that as a whole provides an appropriate view of the company’s position and is, in all material respects, consistent with the Annual Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Executive Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Management Report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the Annual Financial Statements and of the Management Report.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Management Report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the Annual Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the Annual Financial Statements and on the Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements and this Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements and of the Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the Annual Financial Statements and of arrangements and measures (systems) relevant to the audit of the Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the Board of Executive Directors and the reasonableness of estimates made by the Board of Executive Directors and related disclosures.
- Conclude on the appropriateness of the Board of Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related

disclosures in the Annual Financial Statements and in the Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements present the underlying transactions and events in a manner that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the Management Report with the Annual Financial Statements, its conformity with German law, and the view of the company's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Executive Directors in the Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Annual Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

### Report on Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the Annual Financial Statements and the Management Report (hereinafter the "ESEF documents") contained in the provided file "basf.seJA.zip" (SHA256-hash value: e28057a4154ec595a324ee8de9419348aa465d2b8192c1cdaf70f7c410321541), prepared for publication purposes, complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the Annual Financial Statements and the Management Report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the Annual Financial Statements and the Management Report contained in the above-mentioned provided electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying Annual Financial Statements and the accompanying Management Report for the financial year from January 1, 2021 to December 31, 2021 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above.

We conducted our assurance work of the reproduction of the Annual Financial Statements and the Management Report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the Annual Financial Statements and the Management Report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the provided electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited Annual Financial Statements and the audited Management Report.

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on April 29, 2021. We were engaged by the Supervisory Board on July 21, 2021. 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).

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**Other matters – use of the auditor's report**

Our auditor's report should always be read in conjunction with the audited Annual Financial Statements and the audited Management Report as well as the audited ESEF documents. The Annual Financial Statements and the Management Report converted to XHTML format – including the versions to be published in the Federal Gazette (Bundesanzeiger) – are merely electronic reproductions of the audited Annual Financial Statements and the Management Report and do not replace them. In particular, the ESEF report and our assurance opinion contained therein can only be used in conjunction with the audited ESEF documentation provided in electronic form.

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**German Public Auditor Responsible for the Engagement**

The German Public Auditor responsible for the engagement is  
Dr. Stephan Kaiser.

Frankfurt am Main, February 22, 2022

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

**gez. Sailer**  
Wirtschaftsprüfer  
[German Public Auditor]

**Dr. Kaiser**  
Wirtschaftsprüfer  
[German Public Auditor]

## **Further information**

**Published on February 25, 2022**

You can find this and other BASF publications online at [basf.com](https://www.basf.com)

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