Report of the Supervisory Board

Dear Shareholders,

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

- The updated BASF corporate strategy and the target of CO_2-neutral growth
- Portfolio measures, in particular the sale of the global pigments and construction chemicals businesses
- The expansion of the global manufacturing footprint with the establishment of a new Verbund site in southern China, a C3 value chain in India and battery materials production in Europe
- Efficiency gains and the restructuring of the company's organization
- The simplification of the compensation system for the Board of Executive Directors

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

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

In 2019, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, all of the major financial key performance indicators (KPIs) of the BASF Group and its segments, the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development. The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director's company leadership.

The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings. The Chairman of the Supervisory Board was always promptly and comprehensively informed of current developments and significant individual issues. The Supervisory Board was involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on all of those individual measures taken by the Board of Executive Directors which by law or the Statutes required the approval of the Supervisory Board. In the 2019 business year, these included authorizing:

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

Supervisory Board meetings

The Supervisory Board held six meetings in the 2019 business year. With the exception of the constitutive meeting following the election of the Supervisory Board members at the Annual Shareholders' Meeting on May 3, 2019, which one member of the Supervisory Board was unable to attend, all members attended all Supervisory Board meetings in 2019. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors.

All members of the Board of Executive Directors attended the Supervisory Board meetings unless it was deemed appropriate that the Supervisory Board discuss individual topics – such as personnel matters relating to the Board of Executive Directors – without them being present. In addition, each Supervisory Board meeting includes an agenda item that provides an opportunity for discussion without the Board of Executive Directors (executive session).

An individual overview of attendance at meetings of the Supervisory Board and its committees will be made available on the company website at basf.com/supervisoryboard/meetings

A significant component of all Supervisory Board meetings was the Board of Executive Directors' reports on the current business situation with detailed information on sales and earnings development, as well as on opportunities and risks for business development, the status of important current and planned investment projects, operational excellence and sustainability, developments on the capital markets, significant managerial measures taken by the Board of Executive Directors and innovation projects.

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

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

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

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

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

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

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

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

Composition and compensation of the Board of Executive Directors

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

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

The focus of the Supervisory Board meeting on July 23, 2019, was the composition of the Board of Executive Directors and longer-term succession planning. In this meeting, the Supervisory Board extended Wayne T. Smith's appointment to the Board of Executive Directors, which ends on conclusion of the 2020 Annual Shareholders' Meeting, until the conclusion of the 2022 Annual Shareholders' Meeting, and extended the appointments of Saori Dubourg and Dr. Markus Kamieth to the conclusion of the 2025 Annual Shareholders' Meeting. Sanjeev Gandhi stepped down from the Board of Executive Directors early at his own request as of the end of December 31, 2019. In its meeting on October 21/22, 2019, the Supervisory Board addressed at length Sanjeev Gandhi's offer to resign his seat on the Board of Executive Directors early and the modalities of his departure and termination agreement, and agreed to his early retirement without severance pay. As part of the termination agreement, the Supervisory Board agreed with Sanjeev Gandhi on a post-contractual non-compete obligation with a term of two years and non-compete compensation. At the same time, the Supervisory Board reduced the number of members of the Board of Executive Directors from seven to six. Taking into account the company's new organization as of January 2020, the proposed changes to the distribution of responsibilities within the Board of Executive Directors were agreed to.

For more information on the division of responsibilities within the Board of Executive Directors, see the Corporate Governance Report from page 159 onward

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

For more information on the compensation of the Board of Executive Directors, see the Compensation Report on pages 162 to 174 and the notice convening the Annual Shareholders' Meeting on April 30, 2020, which will be published on March 19, 2020

Committees

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

For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report on pages 151 to 152

The **Personnel Committee** met four times during the reporting period. All committee members attended all meetings. At its meeting on February 21, 2019, the Personnel Committee discussed the targets for the Board of Executive Directors for the 2019 business year and the 2018 Compensation Report. A key topic at the meetings on July 23, October 21 and December 19, 2019, was the restructuring of the compensation system for the Board of Executive Directors. The counsel and recommendations of the Committee formed the basis for the resolution by the Supervisory Board on the compensation of the Board of Executive Directors and the amendments to the employment contracts. At its meeting on July 23, 2019, the Personnel Committee

addressed in particular the development of leadership at the top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors. In the meeting on December 19, 2019, it evaluated the performance of the Board of Executive Directors in the 2019 business year on the basis of the agreed targets.

The **Audit Committee** met five times during the reporting period. All committee members attended all meetings. The Audit Committee is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code.

At the meeting on February 25, 2020, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2019 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the nonfinancial statements of BASF SE and the BASF Group. In preparation for this audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Nonfinancial Statements and to issue an assurance report on it. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 22, 2019, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting – with the audit for the 2019 reporting year and auditing fees were agreed upon. The focus areas for the annual audit were discussed and defined together with the auditor. The Audit Committee excluded in principle the engagement of the auditor to perform any services outside of the audit of the annual financial statements, including beyond prevailing legal limitations. For certain nonaudit services, the Audit Committee authorized the Board of Executive Directors to engage KPMG for such services to a very limited extent, or granted approval in individual cases. At the meeting on December 18, 2019, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system, and conducting follow-up assessments of acquisition and investment projects. The Audit Committee focused on the internal auditing system at the meeting on July 22, 2019, and compliance in the BASF Group on December 18, 2019. In these meetings, the head of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. In all meetings, the Audit Committee also received information on the development of risks from litigation.

The **Nomination Committee** is responsible for preparing candidate proposals for the Supervisory Board members to be elected by the Annual Shareholders' Meeting. The Nomination Committee is guided by the objectives for the composition of the Supervisory Board adopted by the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met once in 2019. All but one committee member attended the meeting. Items discussed at the meeting were the existing competence profile and diversity concept for the Supervisory Board, potential candidates for election to the Supervisory Board in general and in the case of an unforeseen departure, as well as the assessment of the independence of the shareholder representatives on the Supervisory Board. A particular focus was the review and confirmation of the proposal to elect Dr. Kurt Bock in the Annual Shareholders' Meeting on April 30, 2020, to replace the current Chairman of the Supervisory Board Dr. Jürgen Hambrecht, who had announced on his election in 2019 his intention to leave the Supervisory Board after one year. Following this further review, the Nomination Committee continues to view Dr. Kurt Bock as the most suitable candidate to succeed Dr. Jürgen Hambrecht.

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

Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2019, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code. An important topic of discussion here was the widely revised and restructured German Corporate Governance Code resolved by the German government in December 2019, and the translation of

the second E.U. Shareholder Rights Directive into German law. In addition, the competence profiles and diversity concepts adopted in 2017 for the Supervisory Board and the Board of Executive Directors were reviewed and confirmed.

For more information on the competence profiles, diversity concepts and composition goals, see the Corporate Governance Report on page 150 and from page 152 onward

In accordance with the recommendations of the German Corporate Governance Code and the Guiding principles for the dialog between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2019. In view of the 2020 Annual Shareholders' Meeting, the main topics were the changes to the compensation system for the Board of Executive Directors, as well as the successor to Dr. Jürgen Hambrecht, who will retire as Chairman of the Supervisory Board.

At its meeting of December 19, 2019, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with section 161 of the German Stock Corporation Act (AktG). BASF complies with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, without exception. The Supervisory Board also resolved that, following its publication, the recommendations of the revised German Corporate Governance Code (2020 Code) are also to be complied with in the future. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

The full Declaration of Conformity is rendered on page 183 and is available to shareholders on the company website at basf.com/en/corporategovernance

Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. The Supervisory Board based the assessment of the independence of its members on the recommendations of the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members contained in the Rules of Procedure of the Supervisory Board, which were revised in the Supervisory Board meeting on December 19, 2019. According to the Supervisory Board's assessment, all twelve members of the Supervisory Board are considered to be independent. The criteria used for this evaluation can be found in the Corporate Governance Report on page 153. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment of their independence. The scope of these businesses is relatively marginal and furthermore takes place under conditions similar to those of a third party.

Contrary to previous practice, going forward, the Supervisory Board considers membership on the Supervisory Board for more than 12 years as a factor that precludes independence. Franz Fehrenbach reached this membership duration in January 2020, meaning that the Supervisory Board no longer considers him to be independent from this date onward. Beyond this limitation, however, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. As a consequence of this change in assessed independence, the Supervisory Board resolved that Anke Schäferkordt is to replace Franz Fehrenbach on the Audit Committee as of March 1, 2020, to ensure that the shareholder representatives on the Audit Committee continue to solely be independent Supervisory Board members in the future.

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. This was again conducted in 2019, with the Chairman of the Supervisory Board holding individual dialogs with each Supervisory Board member using a structured questionnaire. Topics centered in particular on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; the quality of the information supplied by the Supervisory Board; the tasks, composition and work of the committees, and cooperation between shareholder and employee representatives. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented and thoroughly discussed at the Supervisory Board meeting on December 19, 2019. Overall, its members rated the Supervisory Board's activity as efficient.

Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2019 based on a written survey of the Committee members, which was conducted by the chairman of the Audit Committee using a detailed questionnaire. Material topic areas were the organization and content of the meetings, the quality of discussions, and the supply of information as the basis of the Committees' work. The Audit Committee discussed the results of the questionnaire at its meeting on December 18, 2019. It did not identify any need for change.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2019 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management's Report and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under section 91(2) of the German Stock Corporation Act (AktG) in an appropriate manner. In particular, it had instituted an appropriate information and monitoring system that fulfilled the requirements of the company and is applicable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of the financial statements are presented in the Auditor's Report.

The Auditor's Report is rendered from page 187 onward
For more information on the auditor, see the Corporate Governance Report on page 156

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

The assurance report issued by KPMG on the substantive audit of the NFS can be found at basf.com/nfs-audit-2019

The auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 25, 2020, as well as the accounts meeting of the Supervisory Board on February 26, 2020, and reported on the procedure and material findings of its audit, including the key audit matters described in the Auditor's Report. The auditor also provided detailed explanations of the reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the Financial Statements and Management's Report at its meeting on February 25, 2020, including the reports prepared by the auditor and the key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The chairman gave a detailed account of the preliminary review at the Supervisory Board meeting on February 26, 2020. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2019, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2019. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management or the reports submitted.

At its accounts meeting on February 26, 2020, the Supervisory Board approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the 2019 Financial Statements final. The Supervisory Board concurs with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.30 per share.

Composition of the Supervisory Board

The Supervisory Board's election term ended on conclusion of the Annual Shareholders' Meeting on May 3, 2019. The long-serving shareholder representatives Prof. Dr. François Diederich and Michael Diekmann did not stand for re-election. As shareholder representatives, the Annual Shareholders' Meeting elected Prof. Dr. Thomas Carell and Dr. Alexander C. Karp, who were nominated for election for the first time, and the incumbent Supervisory Board members Dame Alison Carnwath DBE, Franz Fehrenbach, Dr. Jürgen Hambrecht and Anke Schäferkordt. The six employee representative were already elected without any changes to the current composition by the BASF Works Council Europe on November 21, 2018, in accordance with the Employee Participation Agreement. We would like to thank the now retired members of the Supervisory Board, Prof. Dr. François Diederich and Michael Diekmann, for many years of constructive and trust-based cooperation, and their considerable contributions to the success and further development of the company.

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

For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 153

Thanks

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

Ludwigshafen, February 26, 2020

The Supervisory Board

Jürgen Hambrecht
Chairman of the Supervisory Board