The 2020 business year was dominated by a turn of events that few had foreseen at the beginning of the year: the coronavirus pandemic. The pandemic had a significant impact on BASF's business and its activities. In particular, the dramatic downturn in the second quarter left a clear mark on the BASF Group’s earnings. The operating result declined significantly. The bottom line – income after taxes – was negative for the first time in many years due to special items. In this situation, the Supervisory Board intensified its communication with the Board of Executive Directors. It was informed in detail and at an early stage about changed business forecasts and the measures to be taken. The Board of Executive Directors ensured that employees were protected and kept costs and liquidity under control with effective crisis management. At the same time, cooperation with customers was further strengthened. Key initiatives to promote the long-term development of BASF continued unabated. In this way, the Board of Executive Directors led BASF through this difficult phase with strength, prudence and foresight.

The Supervisory Board expressly supports this approach and would like to thank the Board of Executive Directors and all employees worldwide for their extraordinary dedication and hard work in the 2020 business year.

This year, we as the Supervisory Board will again not have any opportunity to meet directly with you – our shareholders. We deeply regret this, because a physical Annual Shareholders’ Meeting is the ideal place to discuss the development of your BASF with you. This report should give you the opportunity to appraise the Supervisory Board’s work. We hope to be able to again meet and talk with you directly as soon as possible.

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

In 2020, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company’s strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, all of the major financial key performance indicators (KPIs) of the BASF Group and its segments, the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development. It regularly discussed occupational and process safety, with a particular focus on the measures resulting from the coronavirus pandemic. The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director’s company leadership.

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

**Supervisory Board meetings**

The Supervisory Board held seven meetings in the 2020 business year. With the exception of the meeting immediately following the Annual Shareholders’ Meeting on June 18, 2020, in which Dr. Kurt Bock was elected as Chairman of the Supervisory Board following his appointment to the Supervisory Board, which one member of the Supervisory Board was unable to attend, all members attended all Supervisory Board meetings in 2020. Despite the restrictions due to the coronavirus pandemic, four of the meetings were able to be held in person with most Supervisory Board members physically present. The three meetings in April and June were held solely by means of electronic communication as video conferences. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors.

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

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

In all meetings in 2020, the Supervisory Board addressed the development of the coronavirus pandemic and its impact on the macroeconomic environment and business developments and prospects of the BASF Group. It fully supported the Board of Executive Directors’ measures and initiatives to respond to the crisis, avoid operational disruptions and ensure the health and safety of employees, including extensive remote and mobile working offerings.

In all meetings, it also discussed the progress of major investments and ongoing portfolio projects. Discussions focused on:

- The execution of the sale of the global construction chemicals business
- The development of the joint venture Wintershall Dea created by the merger of the oil and gas businesses of BASF and LetterOne
- The execution of the sale of the global pigments business
- The progress of the investment project to establish a new Verbund site in southern China

At its meeting on February 26, 2020, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management’s Report and the proposal for the appropriation of profit for the 2019 business year as presented by the Board of Executive Directors. It also discussed the agenda for the Annual Shareholders’ Meeting, which was originally planned for April 30, 2020, and adopted its proposals for resolutions. Other topics discussed at the meeting were business conditions and BASF’s development and prospects in China, the world’s largest chemical market, as well as the project to construct a new Verbund site in southern China, the report on the strategy and focus areas of research and development, and the integration and use of renewable energies in the BASF Group.

The main focus of the meeting on April 29, 2020, was the effects of the coronavirus pandemic, which had been spreading since the middle of the first quarter, on BASF’s business and prospects, as well as crisis management and measures in connection with the coronavirus pandemic. The Supervisory Board also addressed the execution of the Annual Shareholders’ Meeting, which had been postponed to June 18, 2020,
due to the coronavirus pandemic, and agreed to it being held as a virtual event without
the physical presence of shareholders.

The Supervisory Board met virtually prior to the virtual Annual Shareholders’ Meeting
on June 18, 2020, primarily to prepare for the Annual Shareholders’ Meeting. In a
further meeting following the Annual Shareholders’ Meeting, the Supervisory Board
appointed Dr. Kurt Bock as the new Chairman of the Supervisory Board. He succeeds
Dr. Jürgen Hambrecht, who retired from the Supervisory Board.

The main agenda items at the meeting on July 22, 2020, were BASF’s leadership
development and personnel concept, as well as the current status of and the strategies
and main plans for the further development of the Nutrition & Health and Agricultural
Solutions divisions.

At the strategy meeting on October 22/23, 2020, the Board of Executive Directors
and the Supervisory Board discussed at length the status of implementation of the
corporate strategy with a particular focus on growth, strengthening profitability and
portfolio development, as well as key aspects of BASF’s strategic development. These
included:
- The further development of BASF’s portfolio after the coronavirus pandemic
- Growth projects (the Verbund site in China and battery materials)
- The development of the regulatory environment, including the European Green
  Deal
- The transformation to a circular economy
- The energy transformation to reduce CO₂ emissions

At its meeting on February 26, 2020, the Supervisory Board discussed and agreed on
the 2020 targets for the Board of Executive Directors based on the preparations of the
Personnel Committee. At the meeting on April 29, 2020, in light of the dramatic
deterioration in business performance since the outbreak of the coronavirus pandemic,
it discussed the voluntary relinquishment by the members of the Supervisory Board of
part of their fixed Supervisory Board compensation, and the corresponding offer
made by the members to the Board of Executive Directors to voluntarily relinquish part
of their fixed compensation on a temporary basis. Corresponding waiver declarations
were subsequently submitted by all members of the Supervisory Board and the Board
of Executive Directors.

Compensation and composition

In several meetings over the 2020 business year, the Supervisory Board discussed
and passed resolutions on the compensation of the Board of Executive Directors and
its composition.

At its meeting on December 17, 2020, the Supervisory Board evaluated, based on the
discussions and the corresponding recommendation of the Personnel Committee, the
Board of Executive Directors’ performance in 2020 and resolved to grant short-term
variable compensation to the members of the Board of Executive Directors. The
resolution was necessary as the minimum return on capital employed (ROCE) required
for the short-term bonus of 4% was not achieved. The decision to grant a bonus was
justified by the Board of Executive Directors’ sound crisis management during the
coronavirus pandemic and the achievement of key operational and strategic targets in
2020. In addition, the Supervisory Board defined the strategic performance factors for
the deferral compensation components for 2018–2021 and 2019–2022. The
Chairman of the Supervisory Board abstained from the resolution on the factor for the
performance bonus for 2018–2021 as this affected him personally.

At its meeting on December 17, 2020, the Supervisory Board also addressed the
composition of the Board of Executive Directors and longer-term succession planning.
Based on the recommendation of the Personnel Committee, it appointed Dr. Melanie
Maas-Brunner as an additional member of the Board of Executive Directors as of
February 1, 2021. As a further element of this long-term succession planning, Wayne
T. Smith will leave the Board of Executive Directors at midnight on May 31, 2021, one
year before the end of his current appointment to the Board of Executive Directors,
which ends on conclusion of the Annual Shareholders’ Meeting 2022.
Committees

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

The Personnel Committee met four times during the reporting period. All committee members attended all meetings. At its meeting on February 26, 2020, the Personnel Committee discussed the targets for the Board of Executive Directors for the 2020 business year and the 2019 Compensation Report. A key topic of discussion at the meeting on April 29, 2020, was the temporary, voluntary relinquishment by the Board of Executive Directors and the Supervisory Board of part of their compensation. At its meeting on July 22, 2020, the Personnel Committee addressed the status of leadership development at the top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors. At its meeting on December 16, 2020, the Personnel Committee discussed the future composition of the Board of Executive Directors with the suggestion to appoint Dr. Melanie Maas-Brunner to the Board of Executive Directors and consequently terminate Wayne T. Smith’s mandate one year ahead of the end of his regular term of office. Other topics were the appropriateness of the compensation of the Board of Executive Directors, the assessment of its performance in 2020 and a proposal for the performance-related variable compensation of the Board of Executive Directors.

The Audit Committee met six times during the reporting period. With the exception of one meeting, which one member did not attend, all committee members attended all meetings. The Audit Committee is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code. In 2020, the Supervisory Board additionally tasked the Audit Committee with monitoring the internal process of identifying related party transactions and adopting resolutions to approve related party transactions.

At the meeting on February 23, 2021, the auditor reported in detail on its audits of BASF SE’s Separate and Consolidated Financial Statements for the 2020 business year, including the corresponding management’s reports, and discussed the results of its audit with the Audit Committee. The committee’s audit also included the nonfinancial statements of BASF SE and the BASF Group. In preparation for this audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Nonfinancial Statements and to issue an assurance report on it. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 21, 2020, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders’ Meeting on June 18, 2020 – with the audit for the 2020 reporting year and auditing fees were agreed upon. The focus areas and scope of the annual audit were discussed and defined together with the auditor. The Audit Committee excluded in principle the engagement of the auditor to perform any services outside of the audit of the annual financial statements, including beyond prevailing legal limitations. For certain nonaudit services, the Audit Committee authorized the Board of Executive Directors to engage KPMG for such services to a very limited extent, or granted approval in individual cases. At the meeting on December 16, 2020, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items.

Other important agenda items included providing guidance to the Board of Executive Directors on accounting issues, the control system established by the Board of Executive Directors, and follow-up assessments of acquisition and investment projects. At its meeting on April 29, 2020, the Audit Committee addressed risk management in the BASF Group and the organization of internal environmental, health and safety audits. It focused on the internal auditing system and, in particular, payment fraud prevention at the meeting on July 21, 2020, and compliance in the BASF Group on December 16, 2020. In these meetings, the heads of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. In all meetings, the Audit Committee also received information on the development of risks from litigation.

In 2020, the Audit Committee’s work focused on the effects of the coronavirus pandemic on BASF’s results of operations and business prospects, as well as the
impairment of various material assets. To this end, the Audit Committee received regular reports from the Chief Financial Officer and discussed the ramifications. At an extraordinary committee meeting on October 8, 2020, it discussed at length the possible impairment of property, plant and equipment and intangible assets identified by the Board of Executive Directors, in particular the assumptions underlying measurement.

The Nomination Committee is responsible for preparing candidate proposals for the Supervisory Board members to be elected by the Annual Shareholders’ Meeting. The Nomination Committee is guided by the objectives for the composition of the Supervisory Board adopted by the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met twice in 2020. One member was absent at each of the two meetings; otherwise, the meetings were attended by all committee members. Items discussed at the meetings were the existing competence profile and diversity concept for the Supervisory Board, the selection of candidates for appointment to the Supervisory Board by the court following Dr. Alexander C. Karp’s departure from the Supervisory Board, and the proposal to nominate Liming Chen as his successor.

The Strategy Committee, which was established to discuss strategic options for the further development of the BASF Group, did not meet in 2020.

Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2020, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code in the current version dated December 16, 2019. Other important consultation topics were the translation of the second E.U. Shareholder Rights Directive into German law and, in particular, the new regulations governing related party transactions.

In accordance with the recommendations of the German Corporate Governance Code and the Guiding principles for the dialog between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2020.

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

At its meeting of December 17, 2020, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with section 161 of the German Stock Corporation Act (AktG). BASF complies with the recommendations of the German Corporate Governance Code in the version dated December 16, 2019, without exception. The Corporate Governance Report provides extensive information on the BASF Group’s corporate governance.

The full Declaration of Conformity is rendered on page 210 and is available to shareholders on the company website at basf.com/en/corporategovernance

Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. The Supervisory Board based the assessment of the independence of its members on the recommendations of the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members contained in the Rules of Procedure of the Supervisory Board, which were revised in the Supervisory Board meeting on December 19, 2019. The criteria used to assess independence are presented in the Corporate Governance Report on page 172. According to the Supervisory Board’s assessment, on the basis of these criteria, five of the six shareholder representatives and four of the six employee representatives – 9 of the 12 members of the Supervisory Board in total – are considered to be independent. All three non-independent Supervisory Board members were classified as such due to the length of their membership on the Supervisory Board, which exceeds 12 years in each case. Beyond this limitation, however, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment
of their independence. The scope of these businesses is relatively marginal and furthermore takes place under conditions similar to those of a third party.

As a consequence of the change in assessed independence of Franz Fehrenbach, the Supervisory Board resolved to appoint Anke Schäferkordt to the Audit Committee in his place as of March 1, 2020, to ensure that the shareholder representatives on the Audit Committee continue to solely be independent Supervisory Board members in the future.

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. To this end, the new Chairman of the Supervisory Board Dr. Kurt Bock met with all Supervisory Board members individually in June and July in preparation, and again in December 2020. Topics centered in particular on Supervisory Board meeting preparation and agendas, cooperation with the Board of Executive Directors, the quality of the information supplied to the Supervisory Board, cooperation between shareholder and employee representatives, the tasks, composition and work of the committees, and the need for information and training for Supervisory Board members. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented by the Chairman of the Supervisory Board at the Supervisory Board meeting on December 17, 2020, and thoroughly discussed by the members of the Supervisory Board. Overall, its members rated the Supervisory Board's activity as efficient.

Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2020 based on individual discussions between the chair of the Audit Committee and all members of the Audit Committee. Material subjects were the topics addressed by the committee, the number, organization and content of meetings, the depth and quality of discussions, and the supply of information as the basis of the committee's work. The Audit Committee discussed the results of the questionnaire and detailed suggestions at its meeting on December 16, 2020. On this basis, the members judged the Audit Committee's work to be efficient and appropriate.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders’ Meeting for the 2020 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management’s Report and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under section 91(2) of the German Stock Corporation Act (AktG) in an appropriate manner. In particular, it had instituted an appropriate information and monitoring system that fulfilled the requirements of the company and is applicable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of the financial statements are presented in the Auditor’s Report.

For more information on the auditor, see the Corporate Governance Report on page 176

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

The assurance report issued by KPMG on the substantive audit of the NFS can be found at basf.com/nfs-audit-2020

The auditor’s reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 23, 2021, as well as the accounts meeting of the Supervisory Board on February 24, 2021, and reported on the procedure and material findings of its audit, including the key audit matters described in the Auditor’s Report. The auditor also provided detailed explanations of the reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the Financial Statements and Management’s Report at its meeting on February 23, 2021, including the reports prepared by the auditor and the key audit matters specified in the Auditor’s Report, and discussed them in detail with the auditor. The chair gave a detailed account of the preliminary review at the
Supervisory Board meeting on February 24, 2021. On this basis, the Supervisory Board has examined the Financial Statements and Management’s Report of BASF SE for 2020, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management’s Report for 2020. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board’s own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management or the reports submitted.

At its accounts meeting on February 24, 2021, the Supervisory Board approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the 2020 Financial Statements final. The Supervisory Board concurred with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.30 per share.

Composition of the Supervisory Board

Dr. Jürgen Hambrecht, Chairman of the Supervisory Board, retired from the Supervisory Board on conclusion of the Annual Shareholders’ Meeting on June 18, 2020. He had already announced his intention to resign from this position on his reelection by the Annual Shareholders’ Meeting 2019. The Annual Shareholders’ Meeting elected Dr. Kurt Bock to the Supervisory Board as his successor. The Supervisory Board appointed Dr. Kurt Bock as Chairman of the Supervisory Board immediately following the Annual Shareholders’ Meeting. The Supervisory Board member Dr. Alexander C. Karp left the Supervisory Board at the end of July 2020 after announcing his resignation for professional reasons. At the request of the Chairman of the Supervisory Board, supported by the members of the Nomination Committee, the Ludwigshafen am Rhein local court (Amtsgericht) appointed Mr. Liming Chen to the Supervisory Board as a shareholder representative effective October 8, 2020. Liming Chen has many years of management experience at chemical and petrochemical companies. As Chairman of IBM Greater China Group, he also brings with him expertise in digitalization and is very familiar with the growth market of China. Liming Chen is considered independent based on the criteria used by the company to assess the independence of Supervisory Board members. The Supervisory Board satisfied itself that he can devote the necessary time to the BASF mandate.

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

We would like to thank the now retired members of the Supervisory Board, Dr. Jürgen Hambrecht and Dr. Alexander C. Karp, for their constructive and trust-based cooperation, and their contributions to the success and further development of the company. Dr. Jürgen Hambrecht held leadership roles at BASF for 44 years. As the long-serving Chairman of the Board of Executive Directors and Chairman of the Supervisory Board, he played a pivotal role in shaping BASF and the company’s development with far-sightedness and vigor.

Ludwigshafen, February 24, 2021

The Supervisory Board

Dr. Kurt Bock
Chairman of the Supervisory Board