



 **BASF**

We create chemistry

BASF Group 2020 at a Glance

The coronavirus pandemic was the defining event of the year 2020 and caused the sharpest decline in global GDP in the post-war period. We reacted quickly and decisively to the crisis and were thus able to flexibly adapt our production to the needs of our customers, safeguard the health of our employees and ensure reliable deliveries.

Despite the pandemic, we cannot neglect fundamental long-term challenges such as climate protection. For BASF, climate protection is a key responsibility and a crucial component of our strategy. We have committed to climate-neutral growth until 2030 and we are working on our energy transformation towards carbon neutrality. With circular economy approaches, we want to further decouple economic growth from resource consumption and thus use limited resources even more efficiently.

Innovations have made BASF the leading chemical company. I am convinced that our innovative power will continue to be an important success factor for profitable development in the future. Carbon management and the circular economy are important growth drivers across all industries.

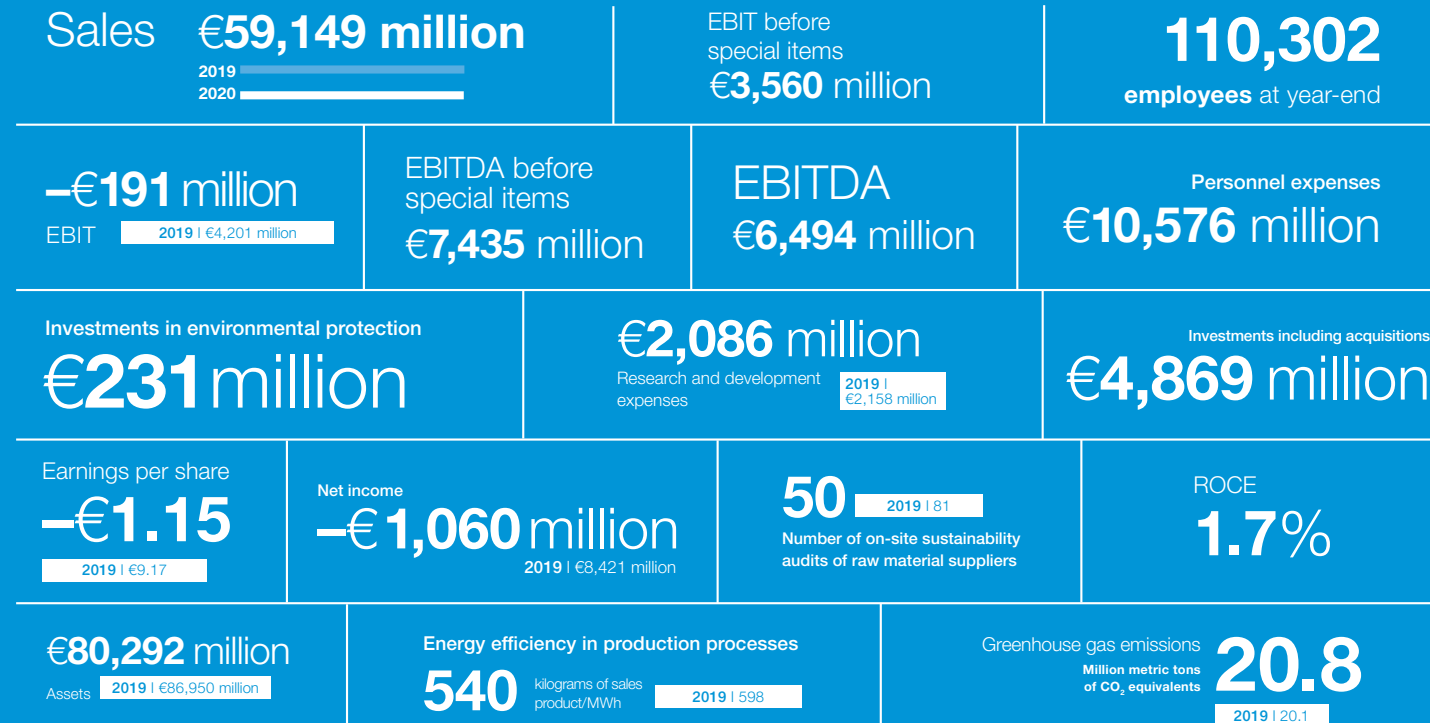


With tailor-made solutions, we help our customers to further improve their sustainability profile and that of their products. Innovations therefore fuel BASF's sustainable growth. And this depends on excellent R&D – which is exactly what we have at BASF.

“Carbon management and the circular economy are important growth drivers across all industries.”

Martin Brudermüller
Chairman of the Board of Executive Directors of BASF SE

The Business Year 2020 at a Glance



The BASF Group

BASF has companies in around 90 countries. We operate six Verbund sites and 241 additional production sites worldwide. Our Verbund site in Ludwigshafen, Germany, is the world's largest chemical complex owned by a single company that was developed as an integrated network. In 2020, we started construction of the first plants at the planned fully integrated Verbund site in Zhanjiang, China.

The Verbund system is one of BASF's great strengths. We add value by using our resources efficiently. The Production Verbund intelligently links plants and their energy supply so that, for example, the waste heat of one plant provides energy to others. Furthermore, one facility's by-products can serve as feedstocks elsewhere. This not only saves us raw materials and energy, it also avoids emissions, lowers logistics costs and leverages synergies.

We also make use of the Verbund principle for more than production, applying it for technologies, the market and digitalization as well. Expert knowledge is pooled in our three global research divisions.

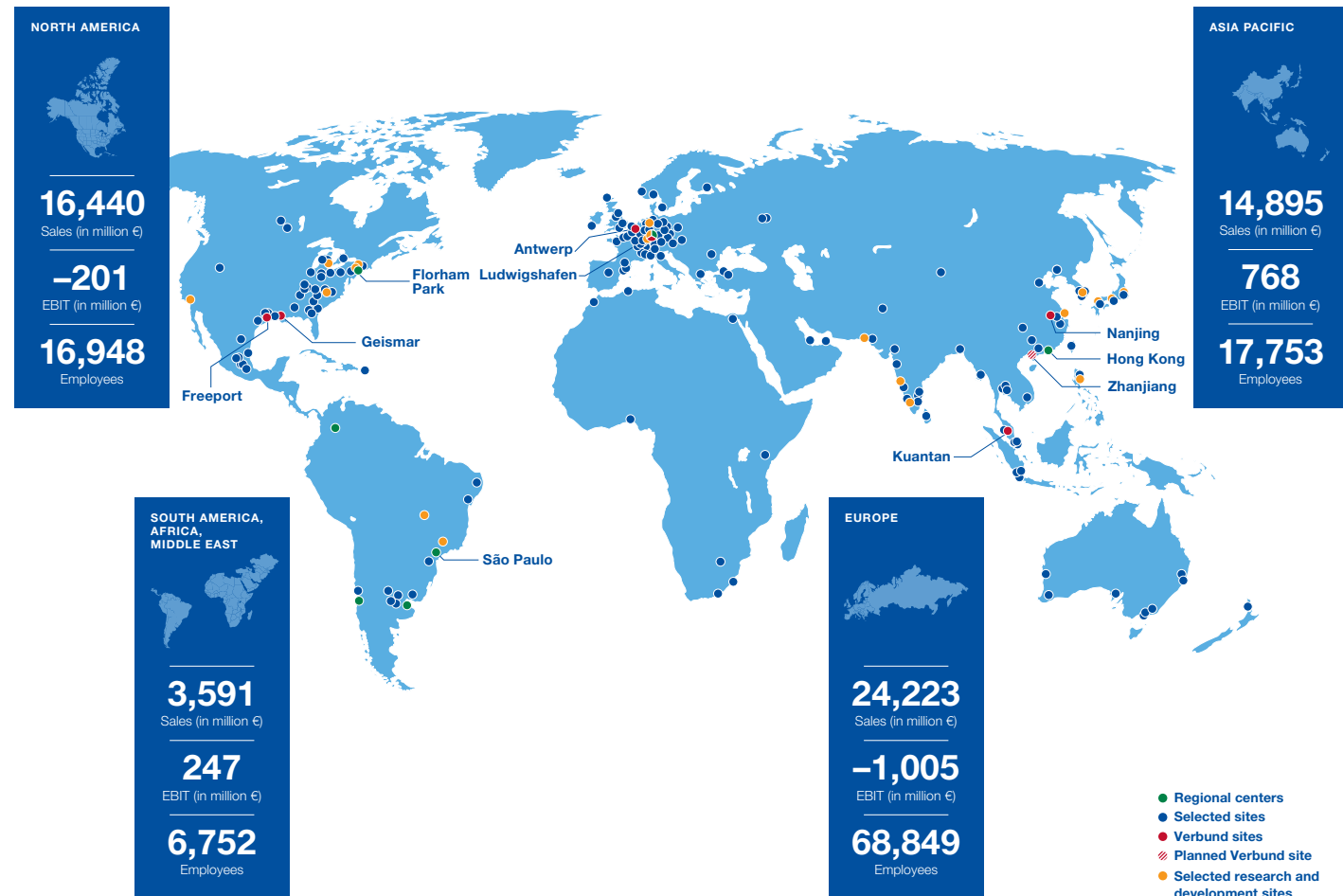
BASF supplies products and services to around 90,000 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and small and medium-sized enterprises to end consumers. We work with over 70,000 Tier 1 suppliers from different sectors worldwide. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Important raw materials (based on volume) include naphtha, gas, benzene and caustic soda.

Intelligent Verbund concept

Production, technology, market, digitalization

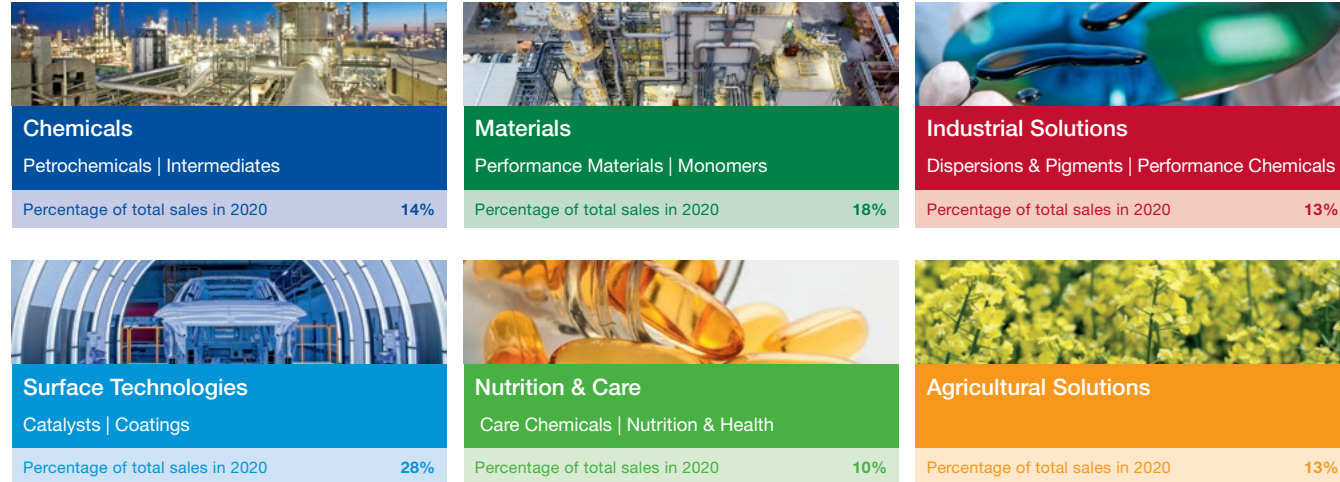
In around 90 countries

employees contribute to our success and that of our customers worldwide



Portfolio and Customers

With our segment structure we want to contribute to the success of our customers from various sectors in almost every country in the world. We take a differentiated approach to steering our businesses according to market-specific requirements and the competitive environment. We provide a high level of transparency around the results of our segments and show the importance of the Verbund and value chains to our business success.



Direct customers – BASF sales by industry 2020	Chemicals and plastics Transportation	> 20%
	Agriculture Consumer goods	10% – 20%
	Construction Electronics Energy and resources Health and nutrition	< 10%

Innovation – New Processes, Technologies and Products for a Sustainable Future

Research for the future: We are working on resource-efficient solutions and business models to decouple growth from the consumption of finite resources.



Global expenditures for research and development around **€2.1 billion**

World leader in chemical industry

Approximately **10,000** employees worldwide involved in research and development

Around **950** new patents filed in 2020

Global Know-How Verbund with external partners

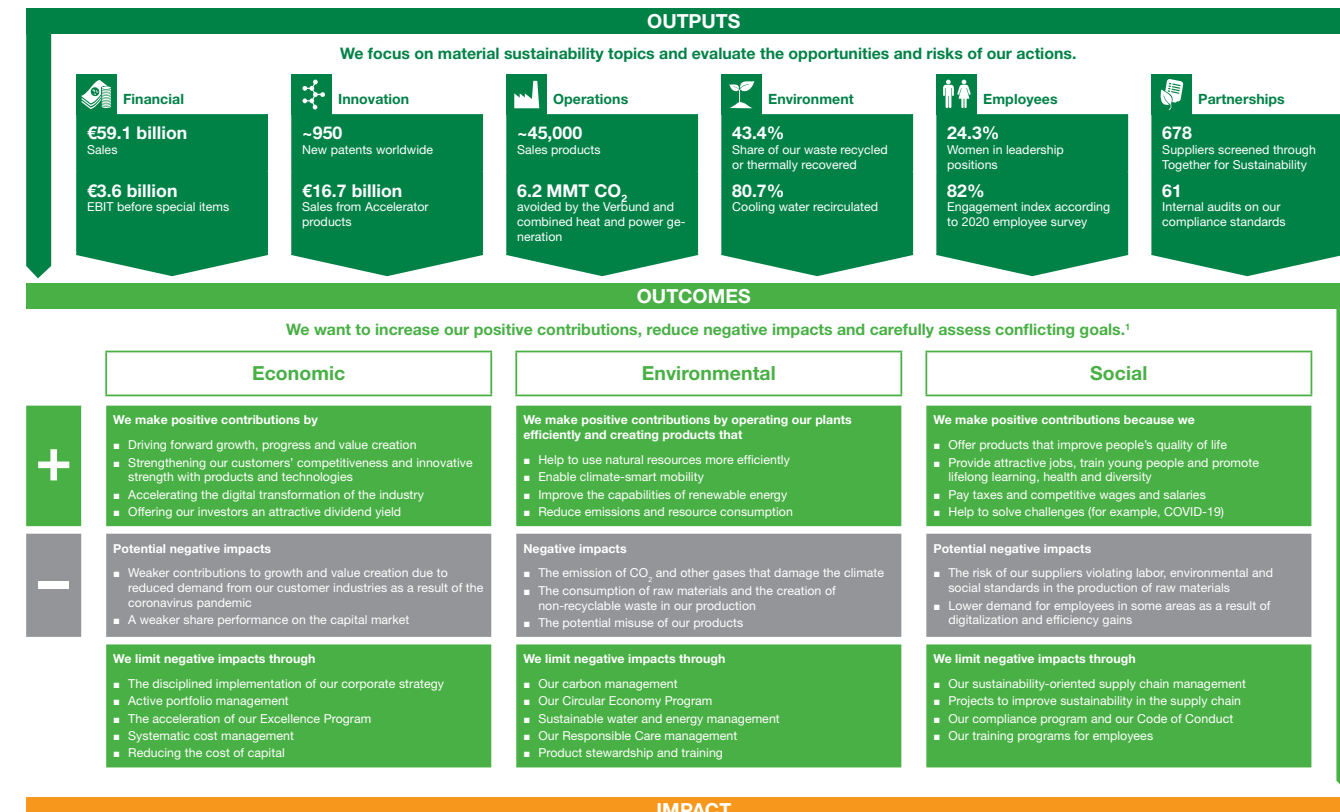
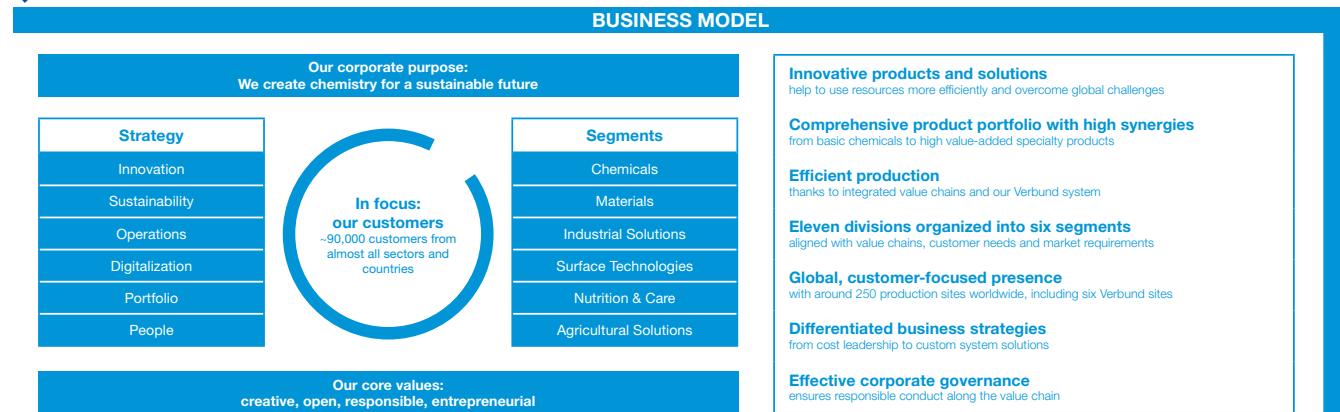
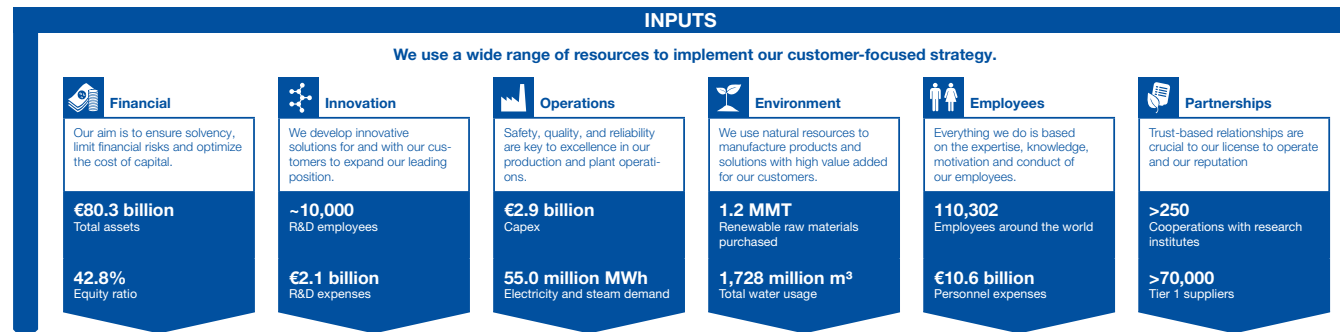


Our most important success factors:

Customer focus, digitalization, creativity, efficiency and collaboration with external partners

How We Create Value

The overview provides examples of how we create value for our shareholders, our company, the environment and society.



¹ The outcomes category shows examples of positive contributions as well as negative impacts and the measures we take to mitigate them.

Our Strategy

At BASF, we are passionate about chemistry and our customers. We want to be the world's leading chemical company for our customers, grow profitably and create value for society. Thanks to our expertise, our innovative and entrepreneurial spirit, and the power of our Verbund integration, we make a decisive contribution to changing the world for the better. This is our goal. This is what drives us and what we do best: We create chemistry for a sustainable future.

Strategic Action Areas

We have defined six strategic action areas through which we will sharpen our customer focus and achieve our goals.

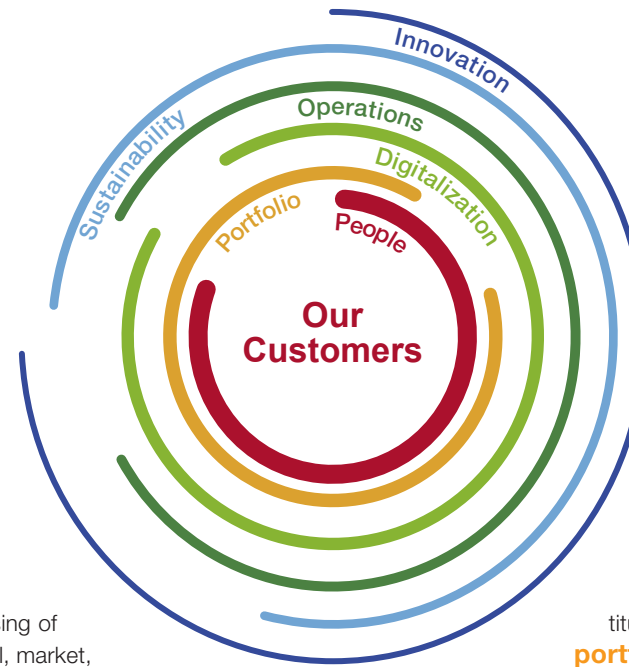
Innovation is the bedrock of our success. BASF is an innovation leader in the chemical industry, with around 10,000 employees in research and development and R&D spending of around €2.1 billion. We continue to build on these strengths by bringing research and development closer together and making our customers' demands a greater part of our innovation process. We involve them at an earlier stage and are expanding our partnerships with customers and external partners.

A key driver is **sustainability**. We want to create value for the environment, society and business with our products, solutions and technologies. Therefore, we are increasing the relevance of sustainability in our steering processes and business models. This

establishes us as a key partner supporting our customers, opens up new growth areas and secures the long-term success of our company.

Our core business is the **production** and processing of chemicals. The Verbund offers us many technological, market, production-related and digital advantages. Our comprehensive product portfolio, which ranges from basic chemicals to custom system solutions, enables us to meet the increasingly diverse needs of our customers with a differentiated offering.

Digitalization is an integral part of our business. We want to significantly improve the availability and quality of our process data. To achieve this, we will digitalize processes at more than 420 plants



worldwide by 2022. We will systematically analyze this data to further automate processes and in this way, increase efficiency. Combining internal and external data provides many new opportunities to manage our businesses more efficiently, improve processes and create value added for our customers.

With our acquisitions and divestitures, we have oriented our **portfolio** toward innovation-driven growth areas. The acquisition of the integrated polyamide business from Solvay and the purchase of various businesses from Bayer further strengthened our position in engineering plastics and in the agricultural sector. The Asian market will play a key role in our future growth. Our strong innovation, production and sales base in China enables us to respond to the needs of our customers in a differentiated way. To further

strengthen our position in this dynamic growth market, we plan to build an integrated Verbund site in Zhanjiang.

Our **employees** are key to BASF's success. That is why we believe that it is important to have a working environment that fosters employees' individual talents and enables them and their teams to perform at their best. We are giving our employees more individual freedom. At the same time, we encourage and promote a leadership culture that empowers our employees to respond to customer needs quickly and efficiently with a solution orientation.

Our values:

- Creative
- Responsible
- Open
- Entrepreneurial









Our Targets

We want to grow faster than the market, further increase our profitability, achieve a return on capital employed (ROCE) considerably above the cost of capital percentage and increase the dividend per share every year based on a strong free cash flow. At the same time, we pursue broad sustainability targets. We have resolved to limit total greenhouse gas emissions from our production sites and our energy purchases to the 2018 level while growing production volumes. We want to strengthen the sustainability focus of our product portfolio and significantly increase sales of Accelerator products. We also strive to strengthen sustainability in our supply chains and use natural resources responsibly. We want to further improve safety in production. In addition, we aim to promote diversity within the company and create a working environment in which our employees feel that they can thrive and perform at their best.


The objective of these targets is to steer our business into a sustainable future, and at the same time, contribute to the implementation of the United Nations' Sustainable Development Goals (SDGs). We are focusing on issues where we as a company can make a significant contribution, such as climate protection, sustainable consumption and production, and fighting hunger.

Status of Target Achievement in 2020






Profitable growth

	Target	2020 status	SDG ¹
Achieve a return on capital employed (ROCE) considerably above the cost of capital percentage every year	>9%	1.7%	 
Grow sales volumes faster than global chemical production every year	> -0.4%	-0.5%	 
Increase EBITDA before special items by 3%–5% per year	3%–5%	-10.7%	 
Increase the dividend per share every year based on a strong free cash flow	>€3.30	€3.30	 

Effective climate protection

	Target	2020 status	SDG
Grow CO₂-neutrally until 2030 (Development of carbon emissions compared with baseline 2018)	≤21.9 MMT	20.8 MMT	

Sustainable product portfolio

	Target	2020 status	SDG
Achieve €22 billion in Accelerator sales by 2025	€22.0 billion	€16.7 billion	    

 Most important key performance indicators



Responsible procurement

	Target	2020 status	SDG
Cover 90% of our relevant spend with sustainability evaluations by 2025	90%	80%	 
Have 80% of our suppliers improve their sustainability performance upon re-evaluation	80%	68%	 

Resource efficiency and safe production

	Target	2020 status	SDG
Reduce worldwide process safety incidents per 200,000 working hours to ≤0.1 by 2025	≤0.1	0.3	 
Reduce the worldwide lost-time injury rate per 200,000 working hours to ≤0.1 by 2025	≤0.1	0.3	
Introduce sustainable water management at our production sites in water stress areas and at our Verbund sites by 2030	100%	46.2%	 

Employee engagement and diversity

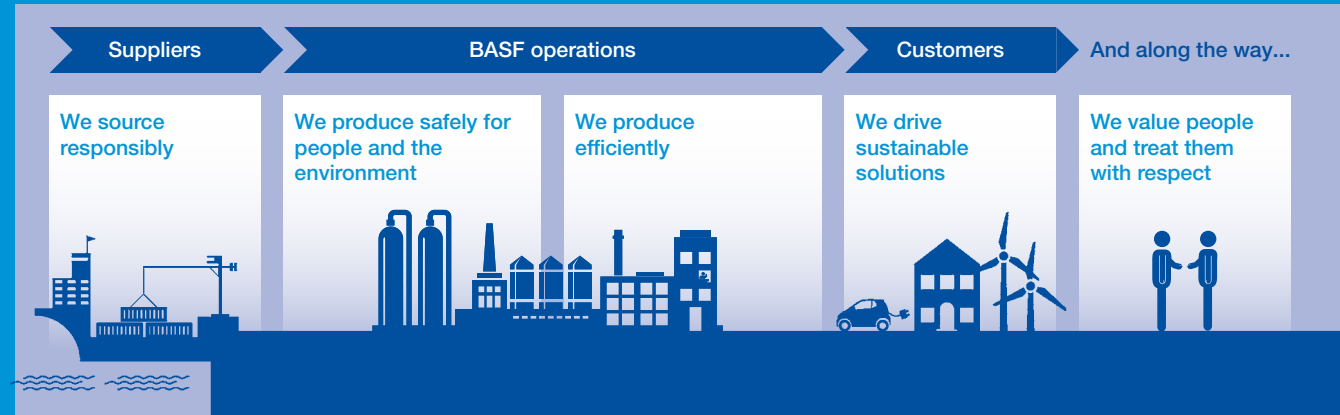
	Target	2020 status	SDG
Increase the proportion of women in leadership positions with disciplinary responsibility to 30% by 2030	30%	24.3%	
More than 80% of our employees feel that at BASF, they can thrive and perform at their best	>80%	82%	

¹ For more information on the Sustainable Development Goals (SDGs), see sustainabledevelopment.un.org

Our Corporate Commitments for Sustainability

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

Our Corporate Commitments cover every part of our value chain and operations to deliver long-term business success.



Sustainable Solution Steering

A significant steering tool for the product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method. Transparently classifying our products on the basis of their contribution to sustainability enables us to systematically improve them. Accelerator products make a substantial sustainability contribution in the value chain. Based on our corporate strategy, we have 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.

Classification of relevant portfolio¹ according to the Sustainable Solution Steering method



- More than 57,000 product applications analyzed by the end of 2020 (€54.1 billion in sales, 98.4%² of relevant portfolio)
- 30.9% of analyzed product applications are Accelerator products
- Strong integration in R&D pipeline, business strategies and merger and acquisition projects
- As of 2018, all Challenged products are phased out within five years of initial classification as such at the latest

¹ 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

² Parts of the relevant portfolio have not yet been evaluated, including the integrated polyamide business acquired from Solvay in 2020.

Climate Protection with Carbon Management

Climate protection is an integral part of our corporate purpose and our strategy. We have already almost halved our carbon emissions since 1990 while simultaneously doubling sales product volumes. Until 2030, we want to continue to grow while limiting our emissions to the 2018 level.

Further improving process and energy efficiency

We aim to make our plants and processes even more efficient and resource-saving. When investing in our sites, we draw on our expertise and innovative technologies to optimize the use of raw materials and in this way, reduce CO₂ emissions. An example: Once our gas and steam turbine power plant at the Schwarzheide site in Germany is started up after its modernization in 2022, it will produce 10% more electricity and the CO₂ emissions factor of the power generated will be around 10% lower.

Increasing use of renewable energy

Our carbon management aims to increase the share of renewables in our energy supply. Nineteen sites in Europe and North America already source partially or fully emission-free electricity from suppliers. Wherever possible, we incorporate renewable energies when constructing plants and modernizing or establishing new sites. For example, we only used hydropower for the construction of our new battery materials plant in Harjavalta, Finland, in 2020, and we started up photovoltaic plants at the Caojing and Pudong sites in China.

CO₂ prevented by the Verbund and combined heat and power generation in 2020

6.2 million metric tons

Number of sites partially or fully powered by emission-free electricity in 2020

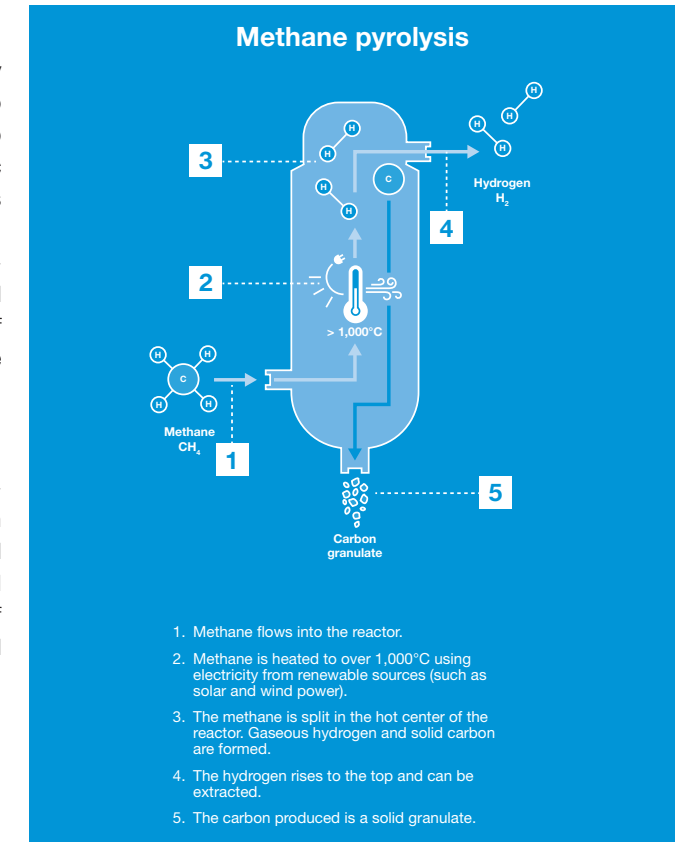
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Developing climate-smart technologies

Most of our production processes and methods are already highly optimized. As a result, completely new technologies are needed to reduce greenhouse gas emissions on a large scale. We develop these in our Carbon Management R&D Program. It focuses on basic chemicals that account for around 70% of the chemical industry's greenhouse gas emissions in Europe. As part of this R&D program, we are developing a climate-friendly production process for hydrogen (methane pyrolysis) together with partners from academia and industry in a project sponsored by the German Federal Ministry of Education and Research and have started up a test facility at the Ludwigshafen site in Germany in 2020.

The framework for the transformation

The transition toward a climate-friendly society remains a fundamental challenge of the 21st century. There are many ways in which the chemical industry can be part of the solution. The political and regulatory environment is crucial to the development and industrial application of new production processes, for example in case of the pricing of green electricity which will be increasingly required with climate-friendly technologies.

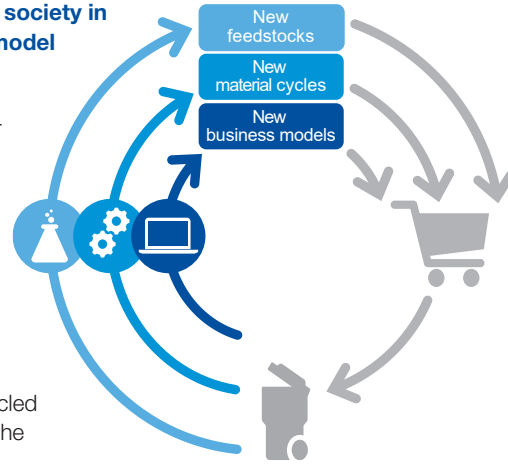


Circular Economy at BASF

The circular economy model has gained importance in politics, industry and society in recent years. It describes the transition from a linear “take-make-dispose” model to a system of closed loops.

We want to actively drive this transition forward and make our value chains, processes, products and business models more circular. Our goal is to double our sales of solutions for the circular economy to €17 billion by 2030. These include products based on renewable or recycled raw materials, that close new material cycles or increase products’ resource efficiency or service life. In addition, we aim to process 250,000 metric tons of recycled and waste-based raw materials in our production plants annually from 2025, replacing fossil raw materials.

The core elements of a circular economy include reusing resources, avoiding waste and optimizing product features with respect to the entire product life cycle. BASF’s Circular Economy Program focuses on three action areas: increasing the use of recycled and renewable feedstocks, innovative material cycles and new business models for the circular economy, including digital and service-based models.



Use of recycled feedstocks

The increased use of recycled raw materials is promoted, among other things, by our ChemCycling™ project. In this, we use pyrolysis oil produced by our technology partners from mixed plastic waste or used tires to manufacture new products.



Responsible handling of plastics

We support the responsible use of plastics and, since 2019, have also been involved as a founding member of the Alliance to End Plastic Waste (AEPW) to develop solutions that prevent plastic waste from entering the environment, especially the world’s oceans.



Helping Hands – our aid measures during the coronavirus pandemic

Civil society, government, business and the nonprofit sector must work closely together to overcome the coronavirus pandemic. Our Helping Hands aid campaign contributed to the fight against the coronavirus – as part of society, as a partner at our sites and as an international company. We used our expertise in research, production, procurement and logistics to help during the crisis.



Within a very short period of time, we modified production processes at plants in different countries to manufacture urgently needed disinfectants. In Europe alone, BASF produced more than 900,000 liters of disinfectant between March and December and donated this, for example, to hospitals, care homes, educational institutions and nonprofit initiatives such as UNO-Flüchtlingshilfe, the German partner of the U.N. refugee agency.

Given the strained supply situation at the beginning of the pandemic, we used our procurement networks to purchase more than 100 million protective masks and donate these to the Federal Republic of Germany and the state of Rhineland-Palatinate. We also supported local healthcare facilities in other countries, including Belgium, Brazil, China and the United States, by providing protective equipment free of charge.

Together, BASF SE and BASF Stiftung also established assistance initiatives and programs for those in need. An assistance fund focused on organizations that provide and distribute food to those in need. Other institutions, individuals and BASF employees could donate to the fund. BASF Stiftung provided assistance to those who have suffered long-term loss of income due to COVID-19 illness or who were in financial distress as a result of the pandemic.

We also made our expertise and infrastructure available for research into the virus, for example, in the search for active ingredients to treat COVID-19 patients. Our supercomputer Curiosity identified and optimized promising molecules for public research projects.

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. More than 110,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of €59 billion in 2020.

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**Further information at [basf.com](https://www.basf.com) and in the
BASF Report 2020 at [basf.com/report](https://www.basf.com/report)**