Corporate Governance

Corporate governance report .......................... 127

Compliance ............................................. 134

Management and Supervisory Boards ................. 136
  Board of Executive Directors ....................... 136
  Supervisory Board .................................. 137

Compensation report .................................. 138

Report of the Supervisory Board ..................... 146

Declaration of Conformity as per Section 161 AktG (Stock Corporation Act) ........................ 150

Declaration of Corporate Governance .............. 150
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 guarantees that BASF is directed and monitored in a responsible manner focused on value creation. It fosters the confidence of our domestic and international 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

- Board of Executive Directors strictly separated from the Supervisory Board
- Responsible for company management
- Sets corporate goals and strategic direction

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 activity of the Board of Executive Directors 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. Furthermore, it must ensure that the company’s activities comply with the law and with internal corporate directives. This includes the establishment of appropriate systems for control, compliance and risk management.

Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors’ Rules of Procedure or through resolutions adopted by the Board, are made at regularly held Board meetings called by the Chairman of the Board of Executive Directors. Board decisions are generally 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 Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors. Members of the Board of Executive Directors are authorized to make decisions individually in their assigned areas of responsibility.

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

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company’s strategic orientation with the Supervisory Board.
The Statutes of BASF SE define certain transactions that require the Board of Executive Directors to obtain the Supervisory Board’s approval prior to their conclusion. Such cases include the acquisition and disposal of enterprises and parts of enterprises, as well as the issue of bonds or comparable financial instruments. However, this is only necessary if the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last approved Consolidated Financial Statements of the BASF Group.

For more on risk management, see the Forecast from page 111 onward.

The members of the Board of Executive Directors, including their areas of responsibility and memberships on the supervisory bodies of other companies, are listed on page 136. Compensation of the Board of Executive Directors is described in detail in the Compensation Report from page 138 onward.

Supervision of company management by the Supervisory Board

- Supervisory Board appoints, monitors and advises Board of Executive Directors
- Four Supervisory Board committees

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

In addition to the SE Council Regulation, the relevant legal basis for the size and composition of the Supervisory Board is provided by the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement), which also includes the regulations applicable to BASF for implementing the gender quota for the Supervisory Board mandated by law as of January 1, 2016. The German Codetermination Act does not apply to BASF as a European stock corporation (Societas Europaea, SE).

The Supervisory Board of BASF SE comprises twelve members. Six members are elected to a five-year term each by the shareholders at the Annual Shareholders’ Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group.

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

BASF SE’s Supervisory Board has established a total of four Supervisory Board Committees: the Personnel Committee, the Audit Committee, the Nomination Committee and the Strategy Committee.

For more on the Statutes of BASF SE and the Employee Participation Agreement, see basf.com/en/cg/investor.

The members of the Supervisory Board of BASF SE, including their membership on the supervisory bodies of other companies, are listed on page 137.

Compensation of the Supervisory Board is described in the Compensation Report from page 144 onward.
**Personnel Committee**

**Members:**
Dr. Jürgen Hambrecht (chairman), Michael Diekmann, Robert Oswald, Michael Vassiliadis

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

**Audit Committee**

**Members:**
Dame Alison Carnwath DBE (chairman), Ralf-Gerd Bastian, Franz Fehrenbach, Michael Vassiliadis

**Duties:**
- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements and Consolidated Financial Statements, and discusses the quarterly statements and half-year financial reports 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 and establishes the conditions for the provision of the auditor’s nonaudit services
- Is authorized to request any information that it deems necessary from the auditor or Board of Executive Directors; can also view all of BASF’s business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections

**Nomination Committee**

**Members:**
Dr. Jürgen Hambrecht (chairman), Dame Alison Carnwath DBE, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Anke Schäferkordt

**Duties:**
- Identifies suitable candidates for the Supervisory Board based on objectives for the composition decided on by the Supervisory Board
- Prepares the recommendations made by the Supervisory Board for the election of Supervisory Board members for the Annual Shareholders’ Meeting

**Strategy Committee**

**Members:**
Dr. Jürgen Hambrecht (chairman), Dame Alison Carnwath DBE, Michael Diekmann, Robert Oswald, Michael Vassiliadis

**Duties:**
- Handles the further development of the company’s strategy
- Prepares resolutions of the Supervisory Board on the company’s major acquisitions and divestitures

**Meetings and meeting attendance**

In the 2016 business year, meetings were held as follows:
- The Supervisory Board met five times.
- The Personnel Committee met four times.
- The Audit Committee met five times.
- The Nomination Committee met once.
- The Strategy Committee did not meet.

With the exception of one Supervisory Board meeting at which one member was absent due to illness, all respective members attended all meetings of the Supervisory Board and its committees.

For more on the Supervisory Board’s activities and resolutions in the 2016 business year, see the Report of the Supervisory Board on page 146

For an individual overview of meeting attendance, see basf.com/governance/supervisoryboard/meetings

**Financial Experts:**
Dame Alison Carnwath DBE and Franz Fehrenbach are members with special knowledge of, and experience in, applying accounting and reporting standards and internal control methods pursuant to the German Corporate Governance Code.
Objectives for Supervisory Board composition

- Composition criteria: professional and personal qualifications, diversity, and independence

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. Seats on the Board of Executive Directors and Supervisory Board of BASF SE should be filled with members who ensure a well-balanced consideration of all the knowledge, skills and personal qualifications necessary to manage and supervise BASF as a large, globally operating, capital market-oriented company in the chemical industry.

On October 21, 2010, the Supervisory Board agreed upon objectives for the composition of the Supervisory Board in accordance with Section 5.4.1 of the German Corporate Governance Code; these were supplemented in the Supervisory Board meetings of December 20, 2012, and October 22, 2015. According to these objectives, the Supervisory Board shall be composed in such a way that the members as a group possess knowledge, ability and expert experience in the following:

- The management of an internationally operating company
- Cross-industry value creation along different value chains
- The application of accounting principles and internal control procedures
- The field of technical and scientific innovations in the chemical sector and associated industries as well as in the sectors using chemical products.

At least one independent member of the Supervisory Board must have expertise in the fields of accounting or auditing as per Section 100(5) of the German Stock Corporation Act (AktG). With regard to diversity, the Supervisory Board shall consider a variety of professional and international experience as well as the participation of women. Individuals who may have a conflict of interest shall not be nominated for election to the Supervisory Board. The same applies to candidates who will have reached the age of 70 by the day of the election. Membership on the Supervisory Board should generally not exceed 15 years; this corresponds to three regular statutory periods in office. The members of the Supervisory Board elected at the Annual Shareholders’ Meeting already fulfill this target – in effect since October 2015 – with one exception.

With regard to independence, the Supervisory Board aims to ensure that all Supervisory Board members are independent as defined by the terms of the Code. In assessing independence, the Supervisory Board assumes that neither election as an employee representative, nor membership on the Board of Executive Directors more than two years in the past, nor the duration of membership on the Supervisory Board, taken in isolation, precludes the classification as independent.

On this basis, the Supervisory Board has determined that all of its current members can be considered independent. We firmly believe that the current composition fulfills the objectives with the aforementioned exception regarding the period of membership.

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

- Minimum quota on Supervisory Board, target figures for Board of Executive Directors and top management

On April 24, 2015, the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector came into force in Germany. The supervisory board of a publicly listed European society (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% each of women and men. The Supervisory Board of BASF SE currently comprises three women and nine men. Two of the six shareholder representatives elected at the Annual Shareholders’ Meeting are women. According to the legal stipulations of Section 17(2) SE Implementation Act, the minimum quota is not to be fulfilled immediately but rather upon any necessary reappointments, that is, new elections. In 2016, the employee-elected Supervisory Board member Wolfgang Daniel left the Supervisory Board. He is succeeded by Waldemar Heiber, who joined the Supervisory Board without additional appointment, that is, without election, as the member personally chosen to replace Wolfgang Daniel as early as 2013 until the end of the 2019 Annual Shareholders’ Meeting. In accordance with legal regulations, the legal minimum quota will therefore be reached after the next regular Supervisory Board election in 2019 at the latest.

As a target figure for the Board of Executive Directors, the Supervisory Board determined, in accordance with Section 111(5) AktG for the first target-attainment period after the law’s entry into force, that the Board of Executive Directors should have at least one female member. With eight members of the Board of Executive Directors, this represents 12.5%. Both at the time the target was set, and by the target-attainment deadline on December 31, 2016, the Board of Executive Directors contained one woman. The stipulation was therefore met.

In addition, the Board of Executive Directors decided on target figures for the percentage of women in the two management levels below the Board of Executive Directors of BASF SE as per the legal requirements in Section 76(4) AktG. These were at 9.4% for the leadership level directly below the Board, and 11.8% for the level below that. This corresponded to the status at the time these target figures were determined.
On December 31, 2016, the deadline for attainment of these goals, the percentage of women in the first level of management under the Board of Executive Directors of BASF SE was at 12.1%. The percentage of women in management one level below that was 7.3%.

We do not regard these deviations as meaningful, as BASF views the further development and promotion of women as a global duty independent of individual Group companies. We set ourselves ambitious goals for this and made further progress in 2016. The focus goes beyond gender quotas, and includes, for example, increasing international representation.

BASF will continue working on expanding the percentage of women in its leadership team. The company is carrying out, and constantly enhancing, worldwide measures to this effect.

By the end of the first target-attainment period, new target figures were set for BASF SE: The Supervisory Board determined as a target figure for the Board of Executive Directors that the Board of Executive Directors of BASF SE should continue to have at least one female member. With eight current members of the Board of Executive Directors, this represents a proportion of 12.5%. The Board of Executive Directors also decided on target figures for the proportion of women in the two management levels below the Board of Executive Directors of BASF SE: Women are to make up 12.1% of the leadership level directly below the Board, and the level below that is to comprise 7.3% women. This corresponds to the status at the time these target figures were determined. The deadline for achieving these new goals was set for December 31, 2021.

Shareholders’ rights

- Shareholders’ rights of co-administration and supervision at the Annual Shareholders’ Meeting
- One share, one vote

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, decides on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buybacks, 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. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of “one share, one vote.”

All shareholders entered in the share register are entitled to participate in the Annual Shareholders’ Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as this is necessary to make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Annual Shareholders’ Meeting and to contest resolutions of the Meeting and have them evaluated for their lawfulness in court.

Shareholders who hold at least €500,000 of the company’s share capital, a quota corresponding to 390,625 shares, are furthermore entitled to request that additional items be added to the agenda of the Annual Shareholders’ Meeting.

Implementation of the German Corporate Governance Code

- BASF SE follows all recommendations of German Corporate Governance Code

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company. BASF SE follows all recommendations of the German Corporate Governance Code in its most recently revised version of May 2015. In the same manner, BASF has followed nearly all of the nonobligatory suggestions of the German Corporate Governance Code. We have not implemented the suggestion to enable shareholders to follow the proceedings of the entire Annual Shareholders’ Meeting online. The Annual Shareholders’ Meeting is publicly accessible via online broadcast until the end of the speech by the Chairman of the Board of Executive Directors. The subsequent discussion of items on the agenda is not accessible online in order to preserve the character of the Annual Shareholders’ Meeting as a meeting attended by our shareholders on-site.
Disclosure according to Section 315(4) of the German Commercial Code (HGB) and the 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, 2016, 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, 85 AktG as well as Article 7 of the BASF SE Statutes. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chairperson, as well as one or more vice chairpersons. The members of the Board of Executive Directors are appointed for a maximum of five years, and 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 at the Annual Shareholders’ Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

According to Article 59(1) 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, the 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 upon amendments to the Statutes that merely concern their wording. This applies in particular to the adjustment of the share capital and the number of shares after the redemption of repurchased BASF shares and after a new issue of shares from the authorized capital.

Until May 1, 2019, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Shareholders’ Meeting of May 2, 2014, to increase the subscribed capital – with the approval of the Supervisory Board – by a total amount of €500 million through the issue of new shares against cash or contributions in kind (authorized capital). A right to subscribe to the new shares shall be granted to shareholders. This can also be done 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 20% of share capital in certain exceptional cases that are defined in Section 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 is not more than 10% of the stock of shares on the date of issue or, in eligible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

At the Annual Shareholders’ Meeting on April 27, 2012, the Board of Executive Directors was authorized to purchase up to 10% of the shares existing at the time of the resolution (10% of the company’s share capital) until April 26, 2017. 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 redeem the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the redeemed shares.

Bonds issued by BASF SE grant the bearer the right to request early repayment of the bonds at nominal value if one person – or several persons acting in concert – hold or acquire a BASF SE share volume after the time of issuance which 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 after the change-of-control event.

In the event of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation (details of which are listed in the Compensation Report on page 144). 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. In addition, employees of BASF SE and its subsidiaries who are classified as senior executives will receive a severance payment if their contract of employment is terminated by BASF within 18 months of the occurrence of a change of control, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a maximum severance payment of
1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of-control event.

The remaining specifications stipulated in Section 315(4) HGB refer to situations that are not applicable to BASF SE.

For more on bonds issued by BASF SE, see basf.com/en/investor/bonds

Directors’ and Officers’ liability insurance

BASF SE has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (D&O insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by Section 93(2)(3) AktG and for the level of deductibles for the Supervisory Board as recommended in Section 3.8(3) of the German Corporate Governance Code.

Share ownership by Members of the Board of Executive Directors and the Supervisory Board

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

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

As legally stipulated by Article 19(1) MAR, all members of the Board of Executive Directors and the Supervisory Board as well as certain members of their families are required to disclose the purchase or sale of financial instruments of BASF SE (e.g., shares, bonds, options, forward contracts, swaps) to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2016, a total of four 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 417 and 2,660 BASF shares. The price per share was between €62.43 and €67.88. The volume of the individual trades was between €26,033.31 und €180,567.16. The disclosed share transactions are published on the website of BASF SE.

For more information, see Note 33 of the Consolidated Financial Statements on page 219

Information on the auditor

The Annual Shareholders’ Meeting of April 29, 2016, once again elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the BASF Group Consolidated Financial Statements and Separate Financial Statements of BASF SE for the 2016 business year, as well as for those reports’ corresponding Management’s Reports. KPMG member firms also audit the majority of companies included in the Consolidated Financial Statements. KPMG has been the continuous auditor of BASF SE since the 2006 Financial Statements; the 2015 Financial Statements marked the tenth annual report in a row audited by KPMG. For this reason, a public call to tender was made to all auditors for the audit of the 2016 Consolidated and Separate Financial Statements, in line with the E.U. Regulation 537/2014 of April 16, 2014. Based on the results of the tendering process, the Audit Committee recommended to the Supervisory Board that it once again propose KPMG for election. After completing the tendering process, KPMG can now be proposed for election at the Annual Shareholders’ Meeting as BASF’s auditor without further tendering processes up to and including the 2024 business year. Hans-Dieter Krauß has been the auditor responsible for the Consolidated Financial Statements since auditing the 2010 Financial Statements. Since the 2013 Financial Statements, the auditor responsible for the separate financial statements has been Alexander Bock.

The total fee paid to KPMG and auditing firms of the KPMG group by BASF SE and other BASF Group companies for non-audit services, in addition to the auditing fee, was €1 million in 2016. This represents around 5.7% of the fees for auditing the financial statements.

For more information, see Note 33 of the Consolidated Financial Statements on page 219
Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company’s internal guidelines. This topic has been integrated into our “We create chemistry” strategy. Our employee Code of Conduct firmly embeds these mandatory standards into day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

**Compliance Program and Code of Conduct**

- Compliance standards integrated into corporate values
- Regular compliance training for employees

Based on international standards, BASF’s Compliance Program combines important laws and company-internal policies – themselves exceeding legal requirements – with external voluntary commitments to create a framework that regulates how all BASF employees interact with business partners, officials, colleagues and society. At the core of our Compliance Program is the global, standardized Code of Conduct received by every employee. All employees and managers are obligated to adhere to its guidelines, which describe our principles for proper conduct and cover topics ranging from corruption and antitrust laws to human rights, labor and social standards, conflicts of interest and trade control, and protection of data privacy.

Abiding by compliance standards is the foundation of responsible leadership. This has been expressly embedded in our values, where we state: “We strictly adhere to our compliance standards.” We are convinced that compliance with these standards will not only prevent the disadvantages associated with violations, such as penalties and fines; we also view compliance as the right path toward securing our company’s long-term success.

Our efforts are principally aimed at preventing violations from the outset. To this end, all employees are required within a prescribed time frame to take part in basic compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Training takes place in different formats, including face-to-face training, e-learning or workshops. The course materials and formats are constantly being updated. In total, more than 25,000 participants worldwide received around 40,000 hours of compliance training in 2016.

For more on the BASF Code of Conduct, see 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. This culture takes years to develop, and requires the consistent, reliable application of compliance standards. Because we introduced our Code of Conduct early on, these standards have already been firmly established and are undisputed. In our last Global Employee Survey, conducted in 2015, the vast majority of our employees confirmed that their work environment places high value on proper conduct in alignment with internal company guidelines and standards. Starting in 2015, we have now investigated all cases in which the answer to the corresponding question showed unit-specific anomalies, and held, for instance, additional seminars or workshops as necessary.

Monitoring adherence to our Compliance principles

- Central role of Chief Compliance Officer and compliance officers
- 56 external hotlines worldwide
- Numerous internal Compliance audits

BASF’s Chief Compliance Officer (CCO) reports directly to the Board of Executive Directors and manages the implementation of our Compliance Management System, supported by 104 compliance officers worldwide. The CCO regularly reports to the Board of Executive Directors on progress in the program’s implementation as well as on any significant findings. Furthermore, 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. For this, they can consult not only their managers but also dedicated specialist departments and company compliance officers. We have also set up 56 external hotlines worldwide which our employees can turn to anonymously. We make sure that all concerns are processed and answered in a swift manner.

In 2016, 278 calls and emails were received by our external hotlines (2015: 357). Concerns involved questions ranging from personnel management and handling of company property to information on the behavior of business partners or human rights issues – such as labor and social standards. We continued to observe increasing awareness when it came to potential conflicts of interest. We launched case-specific investigations, in accordance with applicable law and internal regulations, into all cases of suspected misconduct that we became aware of. Confirmed violations were penalized, up to and including dismissal. This involved making sure that the necessary action was taken in accordance with standardized company criteria.

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 risk or preclude violations in the first place. In 2016, 63 Group-wide audits of this kind were performed (2015: 92). The audits confirmed the effectiveness of the compliance management system. No irregularities were shown in the audit’s focus areas of antitrust and trade controls and embargo, nor was there a major need for action identified beyond these topics.

Based on the Guideline on Business Partner Due Diligence introduced in 2015, we monitor our business partners in sales for potential compliance risks. This is done by means of a checklist, a questionnaire distributed to business partners, and an internet-based analysis. The results are then documented. Depending on the results, conclusions are drawn regarding whether and how to maintain the business relationship. We furthermore expect all suppliers to know of and act in accordance with our global Code of Conduct.

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, we introduced a new internal guideline to respect international labor and social standards. Outside of our company, as well, we support respect for human rights and the fight against corruption: We are, for example, a founding member of the United Nations Global Compact. As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations’ objectives.

For more on human rights and labor and social standards, see basf.com/human_rights
For more on suppliers, see page 92 onward
Management and Supervisory Boards
Board of Executive Directors

There were eight members on the Board of Executive Directors of BASF SE as of December 31, 2016

Dr. Kurt Bock
Chairman of the Board of Executive Directors
Degree: Business Administration, 58 years old, 26 years at BASF
Responsibilities: Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance
First appointed: 2003, Term expires: 2021

Dr. Martin Brudermüller
Vice Chairman of the Board of Executive Directors
Degree: Chemistry, 55 years old, 29 years at BASF
Responsibilities: Petrochemicals; Monomers; Intermediates; Process Research & Chemical Engineering; Innovation Management; Digitalization in Research & Development; Corporate Technology & Operational Excellence; BASF New Business
First appointed: 2006, Term expires: 2021

Dr. Hans-Ulrich Engel
Degree: Law, 57 years old, 29 years at BASF
Responsibilities: Finance; Oil & Gas; Procurement; Supply Chain Operations & Information Services; Corporate Controlling; Corporate Audit
First appointed: 2008, Term expires: 2021

Sanjeev Gandhi
Degree: Chemical Engineering, Business Administration, 50 years old, 23 years at BASF
Responsibilities: Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand
First appointed: 2014, Term expires: 2018

Michael Heinz
Degree: Business Administration, 52 years old, 33 years at BASF
Responsibilities: Dispersions & Pigments; Care Chemicals; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; Region South America
First appointed: 2011, Term expires: 2019

Dr. Harald Schwager
Degree: Chemistry, 56 years old, 29 years at BASF
Responsibilities: Construction Chemicals; Crop Protection; Bioscience Research; Region Europe
First appointed: 2008, Term expires: 2017

Wayne T. Smith
Degrees: Chemical Engineering, Business Administration, 56 years old, 13 years at BASF
Responsibilities: Catalysts; Coatings; Performance Materials; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America
First appointed: 2012, Term expires: 2020

Margret Suckale
Degrees: Law, Business Administration, 60 years old, 8 years at BASF
Responsibilities: Engineering & Maintenance; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources
First appointed: 2011, Term expires: 2017
Comparable German and non-German controlling bodies: BASF Antwerpen N.V. (Chairwoman of the Administrative Council)

Changes as of May 13, 2017:

Following the Annual Shareholders’ Meeting on May 12, 2017, Margret Suckale and Dr. Harald Schwager will leave the Board of Executive Directors. The Supervisory Board will then appoint Saori Dubourg and Dr. Markus Kamieth as new members of the Board of Executive Directors:

Saori Dubourg
Degree: Business Administration, 45 years old, 20 years at BASF
Responsibilities: Construction Chemicals; Crop Protection; Bioscience Research; Region Europe
First appointed: 2017, Term expires: 2020

Dr. Markus Kamieth
Degree: Chemistry, 46 years old, 18 years at BASF
Responsibilities: Care Chemicals; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; Region South America
First appointed: 2017, Term expires: 2020

Michael Heinz will take over the responsibilities of Margret Suckale. In addition to his previous responsibilities, Sanjeev Gandhi will also be responsible for Dispersions & Pigments.
Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises twelve members

Franz Fehrenbach, Stuttgart, Germany
Chairman of the Supervisory Board of Robert Bosch GmbH
Member of the Supervisory Board since: January 14, 2008
Supervisory Board memberships:
Robert Bosch GmbH (chairman)
Stihl AG (vice chairman)
Linde AG (member)
Comparable German and non-German controlling bodies:
Stihl Holding AG & Co. KG (member of the Advisory Board)

Francesco Grioli, Ronnenberg, Germany
Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union
Member of the Supervisory Board since: May 2, 2014
Supervisory Board memberships:
Gerresheimer AG (vice chairman)
Villeroy & Boch AG (member)
Steag New Energies GmbH (vice chairman)
V & B Flesien GmbH (member)

Waldemar Helber, Otterbach, Germany
Vice Chairman of the Works Council of the Ludwigshafen site of BASF SE
Member of the Supervisory Board since: April 29, 2016

Anke Schäferkordt, Cologne, Germany
Member of the Executive Board of Bertelsmann SE & Co. KGaA
Co-CEO of RTL Group S.A.
Chief Executive Officer of RTL Television GmbH
Member of the Supervisory Board since: December 17, 2010
Comparable German and non-German controlling bodies:
Métropole Télévision S.A. (member of the Supervisory Board)

Denise Schellemans, Brecht, Belgium
Full-time trade union delegate
Member of the Supervisory Board since: January 14, 2008

Michael Vassiliadis, Hannover, Germany
Chairman of the Mining, Chemical and Energy Industries Union
Member of the Supervisory Board since: August 1, 2004
Supervisory Board memberships:
K+S Aktiengesellschaft (vice chairman)
Steag GmbH (vice chairman)
Evonik Industries AG (vice chairman until May 18, 2016)
RAG AG (vice chairman)
RAG DSK AG (vice chairman)

The following member left the Supervisory Board on April 29, 2016:

Wolfgang Daniel, Heidelberg, Germany
Vice Chairman of the Works Council of the Ludwigshafen site of BASF SE
Member of the Supervisory Board since: September 9, 1996
Compensation report

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

Compensation of the Board of Executive Directors

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz) as well as the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung), and is aligned with the recommendations of the German Corporate Governance Code (GCGC) in its version of May 5, 2015.

Based on a proposal by the Personnel Committee, the Supervisory Board determines the amount and structure of compensation of members of the Board of Executive Directors.

The amount and structure of compensation is determined by the company's size, complexity and financial position, as well as the performance of the Board of Executive Directors. Internal and external appropriateness of the Board's compensation is reviewed by external auditors on a regular basis. Globally operating companies based in Europe serve as an external reference. For internal comparison, compensation is considered in total as well as over time, especially for senior executives.

For more on the Supervisory Board and its committees, see page 137 and from page 147 onward

Principles

The compensation of the Board of Executive Directors is designed to promote sustainable corporate development. It is marked by a pronounced variability in relation to the performance of the Board of Executive Directors and BASF Group's return on assets.

The compensation of the Board of Executive Directors comprises:

1. Fixed salary
2. Annual variable compensation
3. Share-price-based, long-term incentive (LTI) program
4. Nonmonetary compensation and other additional compensation
5. Company pension benefits

The compensation components are shown in detail below:

1. The fixed salary is a set amount of yearly compensation paid out in even installments. It is regularly reviewed by the Supervisory Board and adjusted, if necessary.

2. The actual annual variable compensation (variable bonus) is based on the performance of the entire Board of Executive Directors and the return on assets. The return on assets is also used to determine the variable compensation of all other employee groups.

   In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the entire Board of Executive Directors that primarily contains medium and long-term goals.

   The Supervisory Board assesses the goal achievement of the current year and the previous two years. A performance factor with a value between 0 and 1.5 is determined on the basis of the goal achievement ascertained by the Supervisory Board. The variable bonus for the prior fiscal year is payable after the Annual Shareholders’ Meeting.

   Board members, like other employee groups, may contribute a portion of their annual variable bonus into a deferred compensation program. For members of the Board of Executive Directors, as well as for all other senior executives of the BASF Group in Germany, the maximum amount that can be contributed to this program is €30,000. Board members have taken advantage of this offer to varying degrees.

3. A share-price-based, long-term incentive (LTI) program exists for members of the Board of Executive Directors. It is also offered to all other senior executives of BASF Group. Members of the Board of Executive Directors are subject to a stricter set of rules than are contained in the general program conditions: They are required to participate in the program with at least 10% of their variable bonus. This mandatory investment consisting of BASF shares is subject to a holding period of four years. For any additional voluntary investment of up to 20% of the variable bonus, the general holding period of two years applies. Members of the Board of Executive Directors may only exercise their options at least four years after they have been granted (vesting period). This compensation component is limited, too, by the structure of the LTI program as well as by the upper limit on the options’ exercise value. Due to the multiple-year exercise period, it can occur that exercise gains from several LTI program years accumulate inside of one year; there can also be years without any exercise gains.

For more on share ownership by members of the Board of Executive Directors, see page 133

For more on the LTI program, see page 45 and from page 216 onward
4. Included in nonmonetary compensation and other additional compensation (fringe benefits) are the following: delegation allowances, accident insurance premiums and other similar benefits, and benefits from security measures provided by the company. The members of the Board did not receive loans or advances from the company in 2016.

The members of the Board are covered by a directors’ and officers’ liability insurance (D&O insurance) concluded by the company, which includes a deductible.

For more on the D&O insurance of the Board of Executive Directors, see page 133

5. As part of the pension benefits granted to the Board of Executive Directors (Board Performance Pension), company pension benefits are intended to accrue annual pension units. The method used to determine the amount of the pension benefits generally corresponds to that used for the other senior executives of the BASF Group in Germany. The method is designed such that both the performance of the company and the progression of the individual Board member’s career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed salary above the Social Security Contribution Ceiling by 32% (contribution factor). The variable component of the pension unit is the result of multiplying the fixed component with a factor that is dependent on the return on assets in the reporting year and the performance factor, which is decisive for the variable bonus. The amount resulting from the fixed and the variable component is converted into a pension unit (lifelong pension) using actuarial factors based on an actuarial interest rate (5%), the probability of death, invalidity and bereavement according to Heubeck Richttafeln, 2005G (modified), and an assumed pension increase (at least 1% per annum).

The sum of the pension units accumulated over the reporting years determines the respective Board member’s pension benefit in the event of a claim. This is the amount that is payable upon retirement. Pension benefits take effect at the end of service after completion of the member’s 60th year of age, or on account of disability or death. Pension payments are reviewed on a regular basis and adjusted by at least 1% each year.

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

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

**Amount of total compensation**

The tables on pages 140 to 143 show the granted and allocated compensation as well as service cost of each member of the Board of Executive Directors in accordance with Section 4.2.5(3) of the German Corporate Governance Code (GCGC) in its version of May 5, 2015.

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

The table “Compensation granted in accordance with GCGC” shows: fixed salary, fringe benefits, annual variable target compensation, LTI program measured at fair value at the grant date, and service cost. The individual compensation components are supplemented by individually attainable minimum and maximum compensation.

Furthermore, a reconciliation statement for total compensation to be reported is provided below the table “Compensation granted in accordance with GCGC” due to the disclosures required by Section 314(1)(6a) of the German Commercial Code (HGB) in connection with the German Accounting Standard Number 17 (GAS 17).
Compensation granted in accordance with the German Corporate Governance Code (GCGC) (thousand €)

<table>
<thead>
<tr>
<th></th>
<th>Dr. Kurt Bock</th>
<th>Dr. Martin Brudermüller</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chairman of the Board of Executive Directors</td>
<td>Vice Chairman of the Board of Executive Directors</td>
</tr>
<tr>
<td></td>
<td>2015      2016  2016 (Min)  2016 (Max)  2015  2016  2016 (Min)  2016 (Max)</td>
<td></td>
</tr>
<tr>
<td>Fixed salary</td>
<td>1,300     1,300  1,300  1,300  865 865  865 865</td>
<td></td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>215       68     68    68    389 239  239 239</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,515</strong> 1,368 1,368 1,368 1,255 1,104 1,104 1,104</td>
<td></td>
</tr>
<tr>
<td>Annual variable target compensation</td>
<td>2,600  2,600 0  4,000 1,729 1,729 0 2,660</td>
<td></td>
</tr>
<tr>
<td>Multiple-year variable compensation</td>
<td>884  844 0  3,069 588 561 0 2,040</td>
<td></td>
</tr>
<tr>
<td>LTI program 2015 (2015–2023)</td>
<td>884 - - - 588 - - -</td>
<td></td>
</tr>
<tr>
<td>LTI program 2016 (2016–2024)</td>
<td>- 844 0 3,069 - 561 0 2,040</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,999</strong> 4,812 1,368 8,437 3,572 3,394 1,104 5,804</td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>605       537    537   537   529 471  471 471</td>
<td></td>
</tr>
<tr>
<td><strong>Total compensation in accordance with GCGC</strong></td>
<td><strong>5,604</strong> 5,349 1,905 8,874 4,101 3,865 1,575 6,275</td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation reporting of total compensation pursuant to Section 314(1)(6a) HGB in connection with GAS 17

<table>
<thead>
<tr>
<th></th>
<th>less granted annual variable target compensation</th>
<th>plus allocated actual annual variable compensation</th>
<th>less service cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2,600)</td>
<td>(1,729)</td>
<td>(529)</td>
</tr>
<tr>
<td><strong>Total compensation</strong></td>
<td><strong>4,445</strong></td>
<td><strong>3,204</strong></td>
<td><strong>3,036</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Dr. Harald Schwager</th>
<th>Wayne T. Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015      2016  2016 (Min)  2016 (Max)  2015  2016  2016 (Min)  2016 (Max)</td>
<td></td>
</tr>
<tr>
<td>Fixed salary</td>
<td>650       650    650    650    668 828  828 828</td>
<td></td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>155       83     83    83    256 106  106 106</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>805</strong>   733    733   733    924 934  934 934</td>
<td></td>
</tr>
<tr>
<td>Annual variable target compensation</td>
<td>1,300  1,300 0  2,000 1,300 1,300 0 2,000</td>
<td></td>
</tr>
<tr>
<td>Multiple-year variable compensation</td>
<td>442  422 0  1,534 519 517 0 1,534</td>
<td></td>
</tr>
<tr>
<td>LTI program 2015 (2015–2023)</td>
<td>442 - - - 519 - - -</td>
<td></td>
</tr>
<tr>
<td>LTI program 2016 (2016–2024)</td>
<td>- 422 0 1,534 - 517 0 1,534</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,547</strong> 2,455 733 4,267 2,743 2,751 934 4,468</td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>399       359    359   359   478 445  445 445</td>
<td></td>
</tr>
<tr>
<td><strong>Total compensation in accordance with GCGC</strong></td>
<td><strong>2,946</strong> 2,814 1,092 4,626 3,221 3,196 1,379 4,913</td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation reporting of total compensation pursuant to Section 314(1)(6a) HGB in connection with GAS 17

<table>
<thead>
<tr>
<th></th>
<th>less granted annual variable target compensation</th>
<th>plus allocated actual annual variable compensation</th>
<th>less service cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,300)</td>
<td>(1,300)</td>
<td>(359)</td>
</tr>
<tr>
<td><strong>Total compensation</strong></td>
<td><strong>2,270</strong></td>
<td><strong>2,186</strong></td>
<td><strong>2,482</strong></td>
</tr>
</tbody>
</table>

1 Payment was made partly in local currency abroad based on a theoretical net salary in Germany.
2 Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.
### Dr. Hans-Ulrich Engel

<table>
<thead>
<tr>
<th></th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>662</td>
<td>412</td>
<td>1,074</td>
<td>1,300</td>
<td>442</td>
<td>442</td>
<td>2,816</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>650</td>
<td>92</td>
<td>742</td>
<td>363</td>
<td>2,827</td>
<td>363</td>
<td>2,292</td>
<td>363</td>
</tr>
<tr>
<td></td>
<td>650</td>
<td>92</td>
<td>742</td>
<td>363</td>
<td>1,105</td>
<td>363</td>
<td>2,195</td>
<td>363</td>
</tr>
</tbody>
</table>

#### Sanjeev Gandhi

<table>
<thead>
<tr>
<th></th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>651</td>
<td>455</td>
<td>1,112</td>
<td>1,300</td>
<td>422</td>
<td>171</td>
<td>2,583</td>
<td>363</td>
</tr>
<tr>
<td></td>
<td>455</td>
<td>1,433</td>
<td>2,318</td>
<td>3072</td>
<td>1,105</td>
<td>3,072</td>
<td>5,412</td>
<td>1,878</td>
</tr>
</tbody>
</table>

#### Michael Heinz

<table>
<thead>
<tr>
<th></th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>650</td>
<td>455</td>
<td>1,433</td>
<td>1,300</td>
<td>422</td>
<td>171</td>
<td>2,318</td>
<td>3,072</td>
</tr>
<tr>
<td></td>
<td>650</td>
<td>1,433</td>
<td>2,583</td>
<td>1,878</td>
<td>1,105</td>
<td>5,412</td>
<td>2,963</td>
<td>1,107</td>
</tr>
</tbody>
</table>

### Margret Suckale

<table>
<thead>
<tr>
<th></th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
<th>2015 (Min)</th>
<th>2015 (Max)</th>
<th>2016 (Min)</th>
<th>2016 (Max)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>650</td>
<td>412</td>
<td>1,074</td>
<td>1,300</td>
<td>442</td>
<td>442</td>
<td>2,816</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>650</td>
<td>92</td>
<td>742</td>
<td>363</td>
<td>2,827</td>
<td>363</td>
<td>2,292</td>
<td>363</td>
</tr>
<tr>
<td></td>
<td>650</td>
<td>92</td>
<td>742</td>
<td>363</td>
<td>1,105</td>
<td>363</td>
<td>2,195</td>
<td>363</td>
</tr>
</tbody>
</table>

#### Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

#### Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.
The table below shows the options granted to the Board of Executive Directors on July 1 of both reporting years.

### Number of options granted

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Kurt Bock</td>
<td>35,108</td>
<td>36,248</td>
</tr>
<tr>
<td>Dr. Martin Brudermüller</td>
<td>23,344</td>
<td>24,104</td>
</tr>
<tr>
<td>Dr. Hans-Ulrich Engel</td>
<td>17,552</td>
<td>18,124</td>
</tr>
<tr>
<td>Sanjeev Gandhi</td>
<td>17,552</td>
<td>7,000</td>
</tr>
<tr>
<td>Michael Heinz</td>
<td>17,552</td>
<td>18,124</td>
</tr>
<tr>
<td>Dr. Harald Schweiger</td>
<td>17,552</td>
<td>18,124</td>
</tr>
<tr>
<td>Wayne T. Smith</td>
<td>17,552</td>
<td>18,124</td>
</tr>
<tr>
<td>Margret Suckale</td>
<td>17,552</td>
<td>18,124</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>163,764</strong></td>
<td><strong>157,972</strong></td>
</tr>
</tbody>
</table>

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

The "Compensation allocated in accordance with the GCGC" shown for 2015 and 2016 is comprised of the fixed and variable compensation components actually allocated, plus the service cost calculated for each member of the Board of Executive Directors in the reporting years even though this does not actually represent payment in the narrower sense.

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

<table>
<thead>
<tr>
<th></th>
<th>Dr. Kurt Bock</th>
<th>Dr. Martin Brudermüller</th>
<th>Dr. Hans-Ulrich Engel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chairman of the Board of Executive Directors</td>
<td>Vice Chairman of the Board of Executive Directors</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed salary</strong></td>
<td>1,300</td>
<td>1,300</td>
<td>865</td>
</tr>
<tr>
<td><strong>Fringe benefits</strong></td>
<td>68</td>
<td>215</td>
<td>239^3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,368</td>
<td>1,515</td>
<td>1,104</td>
</tr>
<tr>
<td><strong>Actual annual variable compensation</strong>^1</td>
<td>2,061</td>
<td>2,046</td>
<td>1,371</td>
</tr>
<tr>
<td><strong>Multiple-year variable compensation</strong></td>
<td>4,386^1</td>
<td>2,683^5</td>
<td>1,657</td>
</tr>
<tr>
<td>LTI program 2007 (2007–2015)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2008 (2008–2016)</td>
<td>4,386^1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2009 (2009–2017)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2010 (2010–2018)</td>
<td>–</td>
<td>–</td>
<td>1,657</td>
</tr>
<tr>
<td>LTI program 2011 (2011–2019)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2012 (2012–2020)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,815</td>
<td>6,244</td>
<td>4,132</td>
</tr>
<tr>
<td><strong>Service cost</strong></td>
<td>537</td>
<td>605</td>
<td>471</td>
</tr>
<tr>
<td><strong>Total compensation in accordance with GCGC</strong></td>
<td>8,352</td>
<td>6,849</td>
<td>4,603</td>
</tr>
</tbody>
</table>

^1 The basis for the allocated actual annual variable compensation is the return on assets adjusted for special items and the performance factor. This includes contributions made to the deferred compensation program.

^2 Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

^3 Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

^4 At the end of the regular term of the LTI program 2008, exercise gains which were realized in 2012 or 2010 were allocated to Dr. Kurt Bock and Wayne T. Smith in 2016 in accordance with the special conditions of the U.S. LTI program.

^5 At the end of the regular term of the LTI program 2007, exercise gains which were realized in 2009, 2012 or 2013 were allocated to Dr. Kurt Bock, Dr. Hans-Ulrich Engel and Wayne T. Smith in 2015 in accordance with the special conditions of the U.S. LTI program.
Compensation allocated in accordance with the German Corporate Governance Code (GCGC) (thousand €)

<table>
<thead>
<tr>
<th></th>
<th>Sanjeev Gandhi</th>
<th>Michael Heinz</th>
<th>Dr. Harald Schwager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed salary</strong></td>
<td>455(^2)</td>
<td>514(^2)</td>
<td>650</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Fringe benefits</strong></td>
<td>978(^3)</td>
<td>598(^3)</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,433</td>
<td>1,112</td>
<td>734</td>
</tr>
<tr>
<td><strong>Actual annual variable compensation(^4)</strong></td>
<td>1,031</td>
<td>1,023</td>
<td>1,031</td>
</tr>
<tr>
<td><strong>Multiple-year variable compensation</strong></td>
<td>–</td>
<td>–</td>
<td>1,569</td>
</tr>
<tr>
<td>LTI program 2007 (2007–2015)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2008 (2008–2016)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2009 (2009–2017)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2010 (2010–2018)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2011 (2011–2019)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2012 (2012–2020)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,464</td>
<td>2,135</td>
<td>1,765</td>
</tr>
<tr>
<td><strong>Service cost</strong></td>
<td>445</td>
<td>489</td>
<td>373</td>
</tr>
<tr>
<td><strong>Total compensation in accordance with GCGC</strong></td>
<td>2,909</td>
<td>2,624</td>
<td>2,244</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Wayne T. Smith</th>
<th>Margret Suckale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed salary</strong></td>
<td>828(^2)</td>
<td>668(^2)</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Fringe benefits</strong></td>
<td>106(^3)</td>
<td>256(^3)</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>934</td>
<td>924</td>
</tr>
<tr>
<td><strong>Actual annual variable compensation(^4)</strong></td>
<td>1,031</td>
<td>1,023</td>
</tr>
<tr>
<td><strong>Multiple-year variable compensation</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2007 (2007–2015)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2008 (2008–2016)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2009 (2009–2017)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2010 (2010–2018)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2011 (2011–2019)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTI program 2012 (2012–2020)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,763</td>
<td>2,098</td>
</tr>
<tr>
<td><strong>Service cost</strong></td>
<td>445</td>
<td>478</td>
</tr>
<tr>
<td><strong>Total compensation in accordance with GCGC</strong></td>
<td>3,208</td>
<td>2,576</td>
</tr>
</tbody>
</table>

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

The options granted resulted in an expense in 2016. This expense refers to the total of all options from the LTI programs 2008 to 2016 and is calculated as the difference in the value of the options on December 31, 2016, compared with the value on December 31, 2015, considering the options exercised and granted in 2016. The value of the options is based primarily on the development of the BASF share price and its relative performance compared with the benchmark index specified for the LTI programs 2008 to 2016.

The expenses reported below are purely accounting figures which do not equate with the allocated actual gains should options be exercised. Each member of the Board may decide individually on the timing and scope of the exercise of options of the LTI programs, while taking into account the terms and conditions of the program.

The expenses for 2016 relating to all options issued were as follows: Dr. Kurt Bock €5,000 thousand (2015: expense of €1,058 thousand); Dr. Martin Brudermüller €4,052 thousand (2015: expense of €788 thousand); Dr. Hans-Ulrich Engel €4,011 thousand (2015: expense of €660 thousand); Sanjeev Gandhi €156 thousand (2015: expense of €17 thousand); Michael Heinz €2,423 thousand (2015: expense of €517 thousand); Dr. Harald Schwager €4,182 thousand (2015: expense of €642 thousand); Wayne T. Smith €1,872 thousand (2015: expense of €616 thousand); and Margret Suckale €2,613 thousand (2015: expense of €419 thousand).

For more on the LTI program, see page 45 and from page 216 onward.
The values for service cost incurred in 2016 contain service cost for BASF Pensionskasse VVaG and Board Performance Pension. Service cost for the members of the Board of Executive Directors is shown individually in the tables “Compensation granted in accordance with GCGC” and “Compensation allocated in accordance with GCGC.”

The present value of pension benefits (defined benefit obligation) is an accounting figure for the entitlements that the Board members have accumulated in their years of service at BASF. The defined benefit obligations up to and including 2016 were as follows: Dr. Kurt Bock €18,931 thousand (2015: €15,684 thousand); Dr. Martin Brudermüller €15,929 thousand (2015: €13,148 thousand); Dr. Hans-Ulrich Engel €10,968 thousand (2015: €9,068 thousand); Sanjeev Gandhi €2,409 thousand (2015: €1,588 thousand); Michael Heinz €10,229 thousand (2015: €8,226 thousand); Dr. Harald Schwager €11,096 thousand (2015: €9,157 thousand); Wayne T. Smith €3,210 thousand (2015: €2,355 thousand); and Margret Suckale €4,315 thousand (2015: €3,518 thousand).

The continuation of the options that have not yet been exercised at the time of retirement, along with the continuation of the associated holding period for individual investment in BASF shares under the conditions of the program, is intended in order to particularly emphasize how sustainability is incorporated into the compensation for the Board members. Pension provisions for previous Board members and their surviving dependents amounted to €150.4 million (2015: €144.7 million).

The disclosure of compensation of the Supervisory Board is based on the German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code (GCGC). The compensation of the Supervisory Board is regulated by the Statutes of BASF SE passed by the Annual Shareholders’ Meeting.

Each member of the Supervisory Board receives an annual fixed compensation of €60,000 and a performance-related variable compensation for each full €0.01 by which the earnings per share of the BASF Group, as declared in the BASF Group Consolidated Financial Statements 2016, exceed the minimum earnings per share. The minimum earnings per share amounted to €1.75 (2015: €1.70). The performance-related variable remuneration is €800 for each €0.01 of earnings per share up to an earnings per share of €2.50, €600 for each further €0.01 of earnings per share up to an earnings per share of €3.00, and €400 for each €0.01 beyond this. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent business year. The performance-related variable compensation is limited to a maximum amount of €120,000.

Based on the earnings per share of €4.42 published in the BASF Group Consolidated Financial Statements 2016, the performance-related compensation reached the maximum amount of €120,000 (2015: €120,000).

The chairman of the Supervisory Board receives two-and-a-half times and a vice chairman one-and-a-half times the compensation of an ordinary member. Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive a further fixed compensation for this purpose in the amount of €12,500. For the Audit

1 Also includes the pro rata temporis compensation of Dr. Andreas Kreimeyer up to his departure from the Board of Executive Directors on April 30, 2015.
2 Also includes the defined benefit obligations provided to Dr. Andreas Kreimeyer, up to and including December 31, 2015.
Committee, the further fixed compensation is €50,000. The chairman of a committee shall receive twice and a vice chairman one-and-a-half times the further fixed compensation.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The company further grants the members of the Supervisory Board a fee of €500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the duties of the members of the Supervisory Board in the cover of a directors’ and officers’ liability insurance (D&O insurance) concluded by it, which includes a deductible.

For more on the D&O insurance of the Supervisory Board, see page 133

Total compensation of the Supervisory Board for activities in 2016, including attendance fees, was around €3 million (2015: around €3 million). The compensation of the individual Supervisory Board members was as follows.

<table>
<thead>
<tr>
<th>Compensation of the Supervisory Board of BASF SE (thousand €)</th>
<th>Fixed salary</th>
<th>Performance-related variable compensation</th>
<th>Compensation for committee memberships</th>
<th>Total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Jürgen Hambrecht, Chairman¹⁻⁵</td>
<td>150.0</td>
<td>150.0</td>
<td>300.0</td>
<td>300.0</td>
</tr>
<tr>
<td>Michael Diekmann, Vice Chairman²⁻⁴</td>
<td>90.0</td>
<td>90.0</td>
<td>180.0</td>
<td>180.0</td>
</tr>
<tr>
<td>Robert Oswald, Vice Chairman²⁻⁷</td>
<td>90.0</td>
<td>90.0</td>
<td>180.0</td>
<td>180.0</td>
</tr>
<tr>
<td>Ralf-Gerd Bastian³</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Dame Alison Carnwath DBE¹⁻¹</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Wolfgang Daniel, Supervisory Board member until April 29, 2016</td>
<td>20.0</td>
<td>60.0</td>
<td>40.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Prof. Dr. François Diederich</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Franz Fehrenbach⁴</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Francesco Giordi</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Waldemar Helber, Supervisory Board member since April 29, 2016</td>
<td>45.0</td>
<td>–</td>
<td>90.0</td>
<td>–</td>
</tr>
<tr>
<td>Anke Schäferkordt</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Denise Schellemans</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Michael Vassiliadis⁵⁻⁴</td>
<td>60.0</td>
<td>60.0</td>
<td>120.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Total</td>
<td>875.0</td>
<td>870.0</td>
<td>1,750.0</td>
<td>1,740.0</td>
</tr>
</tbody>
</table>

¹ Chairman of the Personnel Committee ² Member of the Personnel Committee ³ Chairman of the Audit Committee ⁴ Member of the Audit Committee ⁵ Chairman of the Strategy Committee (since October 1, 2015) ⁶ Vice Chairman of the Strategy Committee (since October 1, 2015) ⁷ Member of the Strategy Committee (since October 1, 2015)

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders’ Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2016 will be paid following the Annual Shareholders’ Meeting on May 12, 2017.

In 2016, as in 2015, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF 38,400 (2016: approximately €35,200; 2015: approximately €36,000) for consulting work in the area of chemical research based on a consulting contract approved by the Supervisory Board.

Beyond this, no other Supervisory Board members received any compensation in 2016 for services rendered personally, in particular, the rendering of advisory and agency services.

For more on share ownership by members of the Supervisory Board, see page 133
Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board’s work in 2016 was marked by several events and topics that were, in various respects, both weighty and significant – such as the explosion at the Ludwigshafen site, changes in the chemical industry due to the announcement of major mergers and acquisitions that impacted BASF’s strategic development, and long-term succession planning for the composition of the Board of Executive Directors.

The Supervisory Board faced these challenges with a full sense of responsibility and supported the Board of Executive Directors’ activities, especially in coping with the explosion, and advised the Board of Executive Directors in its deliberations on BASF’s strategic further development in an evolving industry environment.

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

In 2016, 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 KPIs of the BASF Group and its segments, the economic situation in the main volumes 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 Board of Executive Directors and the Chairman of the Supervisory Board were in regular contact outside of Supervisory Board meetings, as well. The former promptly informed the latter of current developments and significant issues. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on the individual measures that required the approval of the Supervisory Board. In the 2016 business year, this pertained to the authorization of the Chemetall acquisition. With this transaction, BASF has added the surface treatment business area to its Coatings division.

Supervisory Board meetings

The Supervisory Board held five meetings in the 2016 reporting year. With the exception of one meeting at which one member of the Supervisory Board was absent due to illness, all Supervisory Board members attended all Supervisory Board meetings in 2016. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions.

An individual overview of meeting attendance has been made available on the company website at: basf.com/governance/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 growth, as well as on opportunities and risks for business development, the status of important current and planned investment projects, developments on the capital markets, and significant managerial measures taken by the Board of Executive Directors in addition to innovation projects. In its meetings, the Supervisory Board additionally discussed the further development of the BASF Group’s business activities through acquisitions, divestitures and investment projects. Significant consultation topics included the acquisition of Chemetall with the entrance into the surface treatment business, the divestiture of the industrial coatings business, the sale of the OLED patent portfolio, the acquisition of Henkel’s western European building material business for professional users, and the establishment of a joint venture with Avantium for the production of furandicarboxylic acid (FDCA) from renewable resources.

Important focus points of the Supervisory Board’s consultation topics over the entire business year centered on developments in the chemical industry as a result of announced mergers and acquisitions, such as the DOW and DuPont merger; the acquisition of Monsanto by Bayer and of Syngenta by ChemChina; their potential impact on BASF’s business and strategic development possibilities, especially in the Agricultural Solutions segment; and current and future courses of action.
With respect to regional opportunities and risks, the Supervisory Board was often occupied with political and economic developments in northern Africa and the Middle East as well as the development of local markets there. Possibilities for tapping these markets were discussed.

At its meeting on February 24, 2016, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management’s Report and the proposal for the appropriation of profit for the 2015 business year as presented by the Board of Executive Directors. The meeting on April 29, 2016, served to prepare for the Annual Shareholders’ Meeting.

In addition to strategically significant individual measures, the Supervisory Board also addressed BASF’s strategy and long-term business prospects in individual business areas and regions. This was the focus of its meeting on July 25/26, 2016, at which the Board of Executive Directors provided a status update on the implementation of the “We create chemistry” strategy. Main consultation topics comprised possibilities and objectives for strategic portfolio development, innovation and technology, the development of the Oil & Gas and Agricultural Solutions segments, the automotive sector as a key customer industry (especially with regard to the development of electric-mobility), and opportunities and risks in the Asia Pacific region.

In addition, the Supervisory Board addressed future prospects for the main site in Ludwigshafen and the further development of the Engineering & Maintenance function at its meeting on October 25, 2016.

At its meeting on December 15, 2016, the Supervisory Board discussed and approved the Board of Executive Directors’ operative and financial planning including the investment budget for 2017, and as usual empowered the Board of Executive Directors to procure necessary financing in 2017.

Composition and compensation of the Board of Executive Directors

In several meetings in the 2016 business year, the Supervisory Board conferred on, and passed resolutions on, personnel topics in the Board of Executive Directors as well as questions concerning the compensation of the Board of Executive Directors. Based on preparation conducted by the Personnel Committee, it determined the targets for the Board of Executive Directors for the 2016 business year at its meeting on February 24, 2016.

At its meeting on December 15, 2016, the Supervisory Board advised on long-term succession planning for the Board of Executive Directors and approved the early conclusion of the term for Dr. Harald Schwager, member of the Board of Executive Directors for many years, in order to allow for structured succession. Dr. Harald Schwager agreed on early discontinuance of his contract without severance pay by the company and will receive the contractually agreed upon interim and pension benefits in accordance with proper expiration of a term on the Board of Executive Directors. Dr. Harald Schwager will therefore depart the Board of Executive Directors together with Margret Suckale at the conclusion of the Annual Shareholders’ Meeting on May 12, 2017. At the same Supervisory Board meeting, Saori Dubourg and Dr. Markus Kamieth were appointed to the Board of Executive Directors, effective at the end of the 2017 Annual Shareholders’ Meeting, each with a first-time term to the end of the 2020 Annual Shareholders’ Meeting.

Furthermore, the Supervisory Board agreed at its December 15, 2016, meeting on the performance evaluation of the Board of Executive Directors for the 2016 business year as well as – based on an appropriateness test conducted by the Personnel Committee – an adjustment of the Board of Executive Directors’ compensation including an increase in the fixed salary and annual variable target compensation, effective January 1, 2017.

At several meetings, the Supervisory Board discussed the topic of the compensation of the Supervisory Board. The current configuration of the Supervisory Board’s compensation, with a fixed salary and a limited variable compensation component based on earnings per share, has existed largely unchanged since 2006. In normal business years, compensation in fact purely comprises a fixed salary, as the maximum amount of the variable compensation is for the most part reached by the high level of earnings per share. This was also the case for compensation for 2016. The Supervisory Board therefore decided to propose to the 2017 Annual Shareholders’ Meeting a formal restructuring of the BASF Supervisory Board’s compensation to a purely fixed salary, combined with a long-term obligation for the Supervisory Board members to acquire and keep shares – in line with the development of the compensation structures of the majority of large publicly traded companies in Germany.

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 them by the Supervisory Board, see the Corporate Governance Report on page 129.

The Personnel Committee met four times during the reporting period. All committee members attended the meetings. At its meeting on February 24, 2016, the Personnel Committee advised on the targets for the Board of Executive Directors for the 2016 business year. The meetings on July 25, 2016, and October 25, 2016, focused on development of leadership at the top levels of management below the Board of Executive Directors and succession planning for that Board.

Further consultation topics comprised a review of the appropriateness of the compensation of the Board of Executive Directors, both in terms of amount and configuration of the
compensation system, as well as the structure of the compensation of the Supervisory Board. The basis for this was developed and intensively discussed with an independent compensation consultant. The focus of the December 15, 2016, meeting was the discussion of and resolution on the Supervisory Board’s proposal for new appointments to the Board of Executive Directors, the adjustment of that Board’s compensation, and a redesign of the Supervisory Board’s compensation. In addition, the Personnel Committee advised on the performance evaluation of the Board of Executive Directors as well as the target figures for the proportion of women in that Board.

The Audit Committee is responsible for all the tasks listed in Section 107(3)(2) of the German Stock Corporation Act and in Subsection 5.3.2 of the German Corporate Governance Code in its version of May 5, 2015. The Audit Committee met five times during the reporting period. All committee members attended all meetings. Its core duties were to review BASF SE’s Financial Statements and Consolidated Financial Statements, as well as to discuss the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication.

At the meeting on February 21, 2017, the auditor reported in detail on its audits of BASF SE’s separate and consolidated financial statements for the 2016 business year and discussed the results of its audit with the Audit Committee.

At the meeting on July 25, 2016, KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected at the Annual Shareholders’ Meeting – was charged with the audit for the 2016 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 categorically excluded any service relationships between auditor and BASF Group companies outside of the audit of the annual financial statements, including beyond prevailing legal limitations. These services may only be performed upon approval by the Audit Committee. For certain nonaudit services beyond the scope of the audit of the financial reports, the Audit Committee either granted approval for individual cases or authorized the Board of Executive Directors to engage KPMG AG Wirtschaftsprüfungsgesellschaft for such services. The authorization of each service applies for one reporting year and is limited in amount.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system. The internal auditing system and compliance in the BASF Group were each a focus at one meeting of the Audit Committee. 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 election of those Supervisory Board members who are 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. The Nomination Committee met once in 2016. All committee members attended the meeting. Its focus was the discussion of suitable candidates for the case of the early departure from the Supervisory Board of one of the members elected by the Annual Shareholder’s Meeting.

The Strategy Committee, formed to consult on strategic options for the further development of the BASF Group, did not meet in 2016.

Corporate Governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2016, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the German Corporate Governance Code’s recommendations and suggestions. A further topic was the implementation of legal stipulations in BASF SE. This included the E.U.’s regulation on market abuse with the first-time introduction of legal “closed periods” in which share transactions are not permissible, as well as the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector. The Corporate Governance Report of the BASF Group provides extensive information on BASF’s corporate governance. It also includes the Compensation Report, containing full details on the compensation for the Board of Executive Directors and the Supervisory Board.

At the meeting of December 15, 2016, current recommendations and proposals made for the German Corporate Governance Code and their implementation at BASF were discussed, along with the joint Declaration of Conformity by the Supervisory Board and Board of Executive Directors in accordance with Section 161 of the Stock Corporation Act. BASF complies with the recommendations of the German Corporate Governance Code in its version of May 5, 2015, without exception. The full Declaration of Conformity is rendered on page 150 and is available to shareholders on the company website at: basf.com/en/governance

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. According to assessments of the Supervisory Board, all of its members can be considered independent as defined by the German Corporate Governance Code. The criteria used for this evaluation can be found in the Corporate Governance Report on page 130. 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.
The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. This took place in 2016 as well, as the Chairman of the Supervisory Board conducted individual dialogues with each Supervisory Board member using a structured questionnaire. Topics especially centered on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; information supply of the Supervisory Board; the Committees’ duties, composition and work; and cooperation with shareholder and employee representatives. The results of these individual meetings were presented and thoroughly discussed at the Supervisory Board meeting on December 15, 2016. Overall, its members rated the Supervisory Board’s activity as efficient.

The Audit Committee once again conducted a self-assessment of its activities in 2016, apart from the efficiency review. Material topic areas were the organization and content of the meetings and the supply of information as the basis of the Committees’ work. No notable need for action was identified.

Separate and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders’ Meeting for the 2016 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, 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 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 documents to be examined and 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 21, 2017, as well as the accounts meeting of the Supervisory Board on February 22, 2017, and reported on the main findings of the audit. 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 21, 2017, and discussed them in detail with the auditor. The Chairwoman of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on February 22, 2017. On the basis of this preliminary review by the Audit Committee, the Supervisory Board has examined the Financial Statements and Management’s Report of BASF SE for 2016, the proposal by the Board of Executive Directors for the appropriation of profit as well as the Consolidated Financial Statements and Management’s Report for the BASF Group for 2016. The Supervisory Board has reviewed, acknowledged and approved the auditor’s reports. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board’s examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports.

At the Supervisory Board’s accounts meeting on February 22, 2017, it 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 2016 Financial Statements of BASF SE 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 €3.00 per share.

Composition of the Supervisory Board

Employee representative Wolfgang Daniel left the Supervisory Board at the conclusion of the Annual Shareholders’ Meeting on April 29, 2016. He was succeeded by Waldemar Helber, who joined the Supervisory Board as the successor appointed by the BASF Works Council Europe on December 4, 2013, in accordance with the Employee Participation Agreement of November 15, 2007. The Supervisory Board thanks Wolfgang Daniel, who had been a member of the Supervisory Board since 1996, for his many years of service.

Thanks

The Supervisory Board thanks all employees of the BASF Group worldwide and the management for their personal contribution in the 2016 business year.

Ludwigshafen, February 22, 2017

The Supervisory Board

Jürgen Hambrecht
Chairman of the Supervisory Board
Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG)

Declaration of Conformity 2016 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 AktG (Stock Corporation Act)

The recommendations of the Government Commission on the German Corporate Governance Code as amended on May 5, 2015, published by the Federal Ministry of Justice on June 12, 2015, in the official section of the electronic Federal Gazette, have been complied with since the submission of the last Declaration of Conformity in December 2015.

Ludwigshafen, December 2016

The Supervisory Board of BASF SE

The Board of Executive Directors of BASF SE

Declaration of Corporate Governance

Declaration of Corporate Governance as per Section 315(5) of the German Commercial Code (HGB) in connection with Section 289(a) HGB

The Declaration of Corporate Governance, pursuant to Section 315(5) HGB in connection with Section 289(a) HGB, comprises the subchapters Corporate Governance Report (except for the disclosures pursuant to Section 315(4) HGB), Compliance and Declaration of Conformity as per Section 161 of the German Stock Corporation Act (AktG) in the Corporate Governance chapter. It is a component of the Management’s Report.