Our employees carry out the goals of the “We create chemistry” strategy. We want to attract and retain talented people for our company and support them in their development. To do so, we cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to top performance.

Strategy

- Best Team Strategy focuses on excellent people, workplace and leaders

The Best Team Strategy is derived from our corporate strategy and contributes greatly to the achievement of our goals. We want to form the best team. To achieve this, we focus on three strategic directions: excellent people, excellent place to work and excellent leaders. Emphasis here is placed on our attractiveness in worldwide labor markets, personal and professional development, life-long learning, and supporting and developing our leaders. We are strongly committed to internationally recognized labor and social standards and strive to respect these worldwide.

Number of employees

At the end of 2016, BASF had 113,830 employees (2015: 112,435); of these, 3,120 were apprentices (2015: 3,240). We hired 6,957 new employees Group-wide in 2016. Moreover, the acquisition of Chemetall especially added to our workforce. Reductions in headcount were related to events such as the sale of the industrial coatings and polyolefin catalysts businesses.

The average percentage of employees who resigned during their first three years of employment was 1.2% worldwide in 2016. This turnover rate was 0.5% in Europe, 1.5% in North America, 3.2% in Asia Pacific and 1.9% in South America, Africa, Middle East. Our turnover rates are therefore lower than those of many other companies.

BASF Group new hires in 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>December 31, 2016</th>
<th>Thereof women %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>3,111</td>
<td>30.8</td>
</tr>
<tr>
<td>North America</td>
<td>1,584</td>
<td>31.3</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,733</td>
<td>32.1</td>
</tr>
<tr>
<td>South America, Africa,</td>
<td>529</td>
<td>38.9</td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,957</td>
<td>31.9</td>
</tr>
</tbody>
</table>

BASF Group employees by region

(Total: 113,830, thereof 24.6% women, as of December 31, 2016)

At BASF, the apprenticeship program trains students for technical, scientific and business vocations as well as for trade and craft professions.
Competition for talent

- High scores in worldwide employer rankings
- Focus on social media and online marketing

In the global competition for the best employees and leaders, we want to recruit qualified talent in order to achieve our ambitious growth targets. This is why we continuously review measures to make our total offer package attractive for employees. For example, we have now expanded our career website to include a total of 61 countries in 2016. We continue to make use of social networks to reach candidates and ensure an innovative, target-group-appropriate approach through digital media, such as 360-degree videos showcasing selected workplaces. In North America, our online campaign to make BASF an attractive employer for women and minorities was highly successful. We were able to attract and hire new employees for the Innovation Campus Asia Pacific in Shanghai, China, at our “Live Day” virtual career fair in Asia Pacific. In South America, we trained employees in the use of social media as ambassadors of our employee brand.

We were once again able to achieve high scores in employer rankings in 2016. For example, in a study conducted by Universum, BASF was again selected by engineering and IT students as one of the 50 most attractive employers in the world. In North America, BASF was listed among Forbes’ 100 Best Employers for the second time in a row. We are far ahead of our key competitors in North America on the employer rating website glassdoor.com. In Brazil, BASF was once again named one of the top 150 employers in a ranking by Você SA magazine.

Vocational training

- 3,120 apprentices in around 60 occupations worldwide
- Around €104 million spent on vocational training

As of December 31, 2016, BASF was training 3,120 people in 14 countries and around 60 occupations. We spent a total of around €104 million on vocational training in 2016, as well as about €6 million on the BASF Training Verbund as part of our social commitment in the Rhine-Neckar Metropolitan Region.

In 2016, 837 apprentices started their vocational training at BASF SE and at German Group companies, filling almost all available program slots in Germany. The current shortage of skilled labor nevertheless presents a challenge that we address with various initiatives. In the Rhine-Neckar Metropolitan region, such programs include Start in den Beruf and Anlauf zur Ausbildung, in which 210 young people in the BASF Training Verbund participated in cooperation with partner companies in 2016. The goal here is to prepare participants for a subsequent apprenticeship within one year, making a contribution to the long-term supply of qualified employees in the region. Because the number of open vocational training places meanwhile outweighs demand, some slots in these programs remained unfilled in 2016.

BASF launched its new apprenticeship campaign in May 2016, called “Show Us What You’ve Got!” (Zeig’s Uns!). It underscores the fact that, for BASF, an applicant’s overall impression is not made by technical know-how alone; personal interests and strengths like initiative, creativity and team spirit are also decisive factors.

At the Ludwigshafen site, we also offer a part-time training program for newcomers from other fields, so that they can qualify for a career in chemical production even while working at their current job.

The “Start Integration” program, begun with 50 placements in 2015, is geared toward refugees with a high probability of being granted the right to remain in Germany and aims to integrate them into the labor market in the Rhine-Neckar Metropolitan Region. BASF expanded the program to 300 placements and, for the 2016/2017 apprenticeship year, added three modules – include a one-year career prep course providing instruction in topics like language and intercultural training.

For more information, see basf.com/apprenticeship

BASF Group employees by contract type (total: 113,830)

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>December 31, 2016</th>
<th>Thereof women %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent staff</td>
<td>108,376</td>
<td>24.1</td>
</tr>
<tr>
<td>Apprentices</td>
<td>3,120</td>
<td>25.5</td>
</tr>
<tr>
<td>Temporary staff</td>
<td>2,334</td>
<td>45.3</td>
</tr>
</tbody>
</table>
What we expect from our leaders

- Leaders as role models
- Multifaceted offers for leadership development

Our leaders should be role models for applying our strategy in daily corporate life. We expect them to have a positive influence on shaping day-to-day business, relaying company values, and motivating employees. This includes how challenges are approached and how the leader's area of responsibility is continuously developed. Our leadership culture is founded on BASF's strategic principles and values as well as on the standards of behavior set out by our global Code of Conduct.

We offer our leaders learning and development measures for all phases of their career, coordinating global, regional and local opportunities. These are geared toward strengthening our leaders' competencies and offer chances to network and learn from one another. For example, we began the European Emerging Leader program in 2016, which guides leadership candidates into their roles over a period of 1.5 years. Similar programs are available in other regions, too: In Asia Pacific, for example, we run an internal training and further development course for leaders to become coaches.

Leadership responsibility in the BASF Group

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>Thereof women %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals¹</td>
<td>36,909</td>
<td>29.4</td>
</tr>
<tr>
<td>(Senior) executives²</td>
<td>9,558</td>
<td>19.8</td>
</tr>
</tbody>
</table>

¹ Specialists without disciplinary leadership responsibilities
² Employees with disciplinary leadership responsibilities

Learning and development

- Life-long learning concept focuses on on-the-job experience
- Specific further training for employees in production and technical areas
- Development meetings form important element of employee development

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. With the Best Team Strategy and regional learning strategies, we want to establish a new learning culture and enable life-long, self-guided learning. The learning and development options cover a range of learning goals: starting a career, expanding knowledge, personal development, and leadership training. For example, our Learning Campus in Singapore offers development programs for leaders and leadership candidates with a focus on strategy, leadership and innovation. It serves as a platform for new styles of learning and brings together employees from diverse areas – for our goal is to create a common-ground, inspiring learning experience that enables employees to connect with the company and with each other. In this regard, we have also been implementing the “MentForMe” mentoring program step by step since 2016. Our learning activities follow the “70-20-10” philosophy: We apply the elements “learning from experience” (70%), “learning from others” (20%) and “learning through courses and media” (10%).

We support employees in production and engineering worldwide with job-specific qualifications and further training. We have further strengthened our in-plant qualification measures with in-plant trainers who promote the continuous professional development of employees in production and engineering through individual learning assignments. Moreover, we expanded our programs on safety culture and knowledge management as well as team and organizational development.

We spent around €69 million on further training in 2016 (2015: €96 million). Each employee spent an average of 2.0 days on further training in 2016. As part of cost management, we decided in 2016 to focus training on business and safety-related courses.

In regular development meetings, held as part of our annual employee dialogs, employees and leaders outline prospects for individual professional development together and determine measures for further training and development. This model was implemented for around 78,150 employees by the end of 2016. We want to conduct development meetings for all employees by the end of 2017.
Managing demographic changes

Leadership duties include “leadership in times of demographic change”

The demographic situation within the BASF Group varies widely by region. The aging population in areas like Germany and North America presents us with challenges. We are also occupied with future issues like new technologies, growing digitalization (“Industry 4.0”), and the ever-increasing delay of retirement. We create a framework to help maintain the employability of our personnel at all stages of life and ensure the availability of qualified employees. Employees and leaders are supported with health and exercise programs, flexible working arrangements, age-appropriate workplaces and demographic analyses. The topic “leadership in times of demographic change” also forms a part of our leadership programs. In addition, we engage in knowledge management and systematic succession planning.

For more on health protection, see page 99

Inclusion of diversity

Promoting diversity as part of company culture
Global goals for increasing percentage of women in leadership positions

We want to utilize diversity for the development of our business. Promoting diversity is one of the mainstays of our corporate culture. The strong global character of our markets translates into different customer requirements. We want to reflect this diversity in our workforce, as well, in order to even better understand the needs of our customers. The aim is to increase our teams’ performance and power of innovation, and boost creativity, motivation and identification with the company. We are further promoting the appreciation and inclusion of diversity. Leaders play an important role here. We support them in strengthening diversity and making the best possible use of it in day-to-day business. For example, specific goals and measures are being developed for such topics as recognizing and developing different kinds of talent.

Since 2015, BASF has set itself global quantitative goals for increasing the percentage of women in leadership positions. In the BASF Group, the global proportion of female leaders with disciplinary responsibility was 19.8% at the end of 2016 (2015: 19.5%). We aim to increase this figure to 22–24% worldwide by 2021, so that the proportion of women in leadership reflects that of women in the global company workforce.

Considering the relatively low rate of turnover in the BASF Group’s leadership team, this is an ambitious goal. Furthermore, BASF wants to continue increasing the global percentage of senior executives1 that come from countries other than Germany. This figure was at 36.4% by the end of 2016 (2015: 35.6%).

Moreover, we intend to maintain the proportion of senior executives with international experience at over 80%. We exceeded this figure by the end of 2016, reaching 84.6%. With these goals, we continue to drive our globally integrated approach to promoting diversity and leadership development.

1 The term “senior executives” refers to leadership levels 1 to 4, whereby level 1 denotes the Board of Executive Directors. In addition, individual employees can attain senior executive status by virtue of special expertise.
Balancing personal and professional life

- Worldwide offers and opportunities

Our identity as an employer includes our belief in supporting our employees worldwide in balancing their personal and professional lives. Through various offers and opportunities, we create working conditions that give fair consideration to our employees’ individual needs. We want to strengthen their identification with the company and bolster our position as an attractive employer in the competition for qualified personnel. Our offer includes flexible working hours, part-time employment and mobile working. In 2016, a total of 12.0% of BASF SE employees held part-time positions, of which 69.9% were women. Numerous employees also made use of parental leave.

Balancing personal and professional life
(Total BASF SE employees: 35,001, thereof 21.4% women, as of December 31, 2016)

<table>
<thead>
<tr>
<th>Employees on parental leave (including “partner months”)</th>
<th>Returnees from parental leave (including “partner months”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>90.7%</td>
</tr>
<tr>
<td>680</td>
<td></td>
</tr>
<tr>
<td>9.3%</td>
<td></td>
</tr>
</tbody>
</table>

Our regional initiatives specifically address the needs of our employees at a local level. Our Work-Life Management employee center in Ludwigshafen (“LuMit”), provides opportunities for fitness and health, employee assistance, and balancing career and personal life – like the company childcare center, “LuKids,” which offers daycare for 250 children. Around 600 employees take advantage of LuMit every day. We also provide social counseling at other sites in Germany, such as those in Münster and Schwarzeheide, as well as in Asia, South Africa and North America, to help employees overcome difficult life situations and maintain their employability.

Global Employee Survey

The Global Employee Survey and its follow-up process have been established for the entire BASF Group ever since the first survey in 2008. It was last conducted in 2015. Employees and leaders discussed the results together in all regions, and are now implementing improvement measures. This pertains to topics such as supporting employees in their career development, intensifying feedback, or supporting leaders and their teams in driving change and innovation. We conduct the Global Employee Survey at regular intervals; the next one is scheduled for 2018.

Compensation and benefits

- Compensation based on employee’s position and individual performance as well as company’s success
- Pay generally comprises fixed and variable components plus benefits

In addition to market-oriented compensation, BASF’s total offer also comprises benefits, individual opportunities for development and a good working environment. Our employees’ pay is based on global compensation principles. These take into account an employee’s position and individual performance as well as the company’s success. Representative analyses of the Ludwigshafen site have shown that there are no systematic differences in pay between men and women, provided the positions and qualifications are comparable. As a rule, compensation is comprised of fixed and variable components as well as benefits that often exceed legal requirements. In many countries, these include company pension benefits, supplementary health insurance, and share programs.

In 2016, the BASF Group spent €10,165 million on wages and salaries, social security contributions and expenses for pensions and assistance (2015: €9,982 million). This represents growth of 1.8% in personnel expenses, primarily as a result of expenses for the long-term incentive program as well as wage and salary increases. Partly countering this rise was the lower average number of employees, in addition to currency effects.

For more information, see the Notes to the Consolidated Financial Statements on page 188

<table>
<thead>
<tr>
<th>BASF Group personnel expenses (million €)</th>
<th>2016</th>
<th>2015</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>8,170</td>
<td>7,943</td>
<td>2.9</td>
</tr>
<tr>
<td>Social security contributions and expenses for pensions and assistance</td>
<td>1,995</td>
<td>2,039</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Thereof for pension benefits</td>
<td>627</td>
<td>658</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Total personnel expenses</td>
<td>10,165</td>
<td>9,982</td>
<td>1.8</td>
</tr>
</tbody>
</table>
Employees participate in the company’s success

- Return on assets determines variable compensation
- “plus” share program fosters employees’ long-term participation in company

With variable compensation components, we involve employees in the company’s success and reward individual performance. The same principles basically apply for all employees. The amount of the variable component is determined by the company’s economic success (measured by the return on assets\(^1\) of the BASF Group) as well as the employee’s individual performance. Individual performance is assessed as part of a globally consistent performance management process.

In numerous Group companies, employees are offered the chance to purchase shares. The BASF share program “plus” sponsors employees’ long-term participation in the company through incentive shares. By investing a portion of their compensation in BASF shares, they take part in the long-term development of BASF.

BASF offers its executives the opportunity to participate in a share-price-based compensation program. This long-term incentive (LTI) program ties a portion of their compensation to the long-term performance of BASF shares. In 2016, 92% of the approximately 1,200 eligible executives worldwide participated in the LTI program, investing up to 30% of their variable compensation in BASF shares.

Global labor and social standards

- Alignment with U.N. Guiding Principles on Business and Human Rights
- Adjusted management process for monitoring adherence to labor and social standards

Our voluntary commitment to respecting international labor and social standards is embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations’ Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). BASF strives to uphold these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including external compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations), and the global management process for the respect of international labor norms.

In 2016, we continued the restructuring of our management process begun in 2015. In the previous year, a global team of experts had already drafted a Group-wide BASF guideline on complying with international labor and social standards\(^2\). This provided the basis for developing a process that determines potential gaps in complying with these standards. The management process will now be implemented successively around the world. A monitoring system launched in 2016 keeps track of the situation in countries in which BASF is active, and regularly reviews the implementation of set goals and measures. We performed a risk-based analysis of 43 countries by the end of 2016. The remaining countries are scheduled to be reviewed in 2017.

Dialog with employee representatives

Open dialog with employee representatives is an important component of our corporate culture. If restructuring leads to staff downsizing, for example, we work with employee representatives to develop socially responsible implementation measures. This is done in accordance with the respective legal regulations and the agreements reached. The BASF Europa Betriebsrat (European Works Council) addresses cross-border matters in Europe.

Together with employee representatives, we continued to elaborate on the future topics described by the company and works council in the BASF SE 2020 site agreement in 2016. For example, new principles for promoting apprentices were described in BASF SE’s “Apprenticeship of the Future.” We are engaged in close exchange with employee representatives on the topic of changes through increasing digitalization in order to identify and jointly address challenges.

\(^1\) To calculate variable compensation, total return on assets is adjusted for special items.

\(^2\) The guideline provides concrete interpretations for the topics outlined in the global Code of Conduct under “Human Rights and International Labor Standards.”