

# 3

## Corporate Governance

<b>Corporate Governance Report</b> .....	<b>132</b>	<b>Compensation Report</b> .....	<b>146</b>
<b>Compliance</b> .....	<b>140</b>	<b>Report of the Supervisory Board</b> .....	<b>160</b>
<b>Management and Supervisory Boards</b> .....	<b>142</b>	<b>Declaration of Conformity Pursuant to</b>	
Board of Executive Directors .....	142	<b>Section 161 AktG</b> .....	<b>166</b>
Supervisory Board .....	144	<b>Declaration of Corporate Governance</b> .....	<b>167</b>

# 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 ensures that BASF is managed and supervised responsibly with a focus 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.**

## Board of Executive Directors

manages company and represents BASF SE in business with third parties

## Supervisory Board

appoints, monitors and advises Board of Executive Directors

## Shareholders

exercise rights of co-administration and supervision at Annual Shareholders' Meeting

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 Super-

visory 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 separate 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 Board of Executive Directors' activities 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 and reporting on the company's financial and nonfinancial performance. Furthermore, it must ensure that the company's activities comply with the applicable legislation and regulatory requirements, as well as internal corporate directives. This includes the establishment of appropriate systems for control, compliance

and risk management as well as establishing a company-wide compliance culture with undisputed standards.

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 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 such as proposed material acquisitions or divestitures; 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 information on risk management, see the Forecast from page 123 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 from page 142 onward. Compensation of the Board of Executive Directors is described in detail in the Compensation Report from page 146 onward.

### Competence profile, diversity concept and succession planning for the Board of Executive Directors

The Supervisory Board works hand in hand with the Board of Executive Directors to ensure long-term succession planning for the composition of the Board of Executive Directors. BASF aims to fill most Board positions with candidates from within the company. It is the task of the Board of Executive Directors to propose a sufficient number of suitable candidates to the Supervisory Board.

BASF's long-term succession planning is guided by the corporate strategy. It is based on systematic management development characterized by the following:

- Early identification of suitable candidates of different professional backgrounds, nationalities and genders
- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions
- Desire to shape strategic and operational decisions, and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting our corporate values into practice

### Two-tier management system of BASF SE

#### Board of Executive Directors



7 members

appointed by the Supervisory Board

Chairman

appointed by the Supervisory Board

#### Supervisory Board



12 members

6 shareholder representatives elected by the Annual Shareholders' Meeting and 6 employee representatives

Chairman

elected by the Supervisory Board



The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional experience, cultural background, international representation, gender and age when appointing members of the Board of Executive Directors. Independent of these individual criteria, the Supervisory Board is convinced that ultimately, only a holistic approach can determine an individual's suitability for appointment to the Board of Executive Directors of BASF SE. The overall aim is to ensure that the Board of Executive Directors as a whole has the following profile, which serves as a diversity concept:

- Many years of management experience in scientific, technical and commercial fields
- International experience based on background and/or professional experience
- At least one female Board member
- A balanced age distribution to ensure the continuity of the Board's work and enable seamless succession planning

The number of Board members is based on the insights gained by BASF as a company with an integrated leadership culture and is determined by the needs arising from cooperation within the Board of Executive Directors. In May 2018, this was reduced from eight to seven members in the course of the changes to the composition of the Board of Executive Directors. The standard age limit for members of the Board of Executive Directors is 63.

The current composition of the Board of Executive Directors meets the competence profile and the requirements of the diversity concept in full.

## 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 of Executive Directors 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 12 members. Six members are each elected for a five-year term 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 chairpersons and, independently, at the request of one of their members or the Board of Executive Directors. The shareholder and employee representatives of the Supervisory Board prepare for Supervisory Board meetings in separate preliminary discussions in each case. 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.

The Board of Executive Directors regularly informs the Supervisory Board about matters such as the course of business and expected developments, the financial position and results of operations, corporate planning, the implementation of the corporate strategy, business opportunities and risks, and risk and compliance management. The Supervisory Board has embedded the main reporting requirements in an information policy. The Chairman of the Supervisory Board is in regular contact with the Board of Executive Directors, especially with its chairman, outside of meetings as well.

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 information on the Statutes of BASF SE and the Employee Participation Agreement, see \[basf.com/statutes\]\(http://basf.com/statutes\) and \[basf.com/en/corporategovernance\]\(http://basf.com/en/corporategovernance\)](#)

📄 [A list of the members of the Supervisory Board of BASF SE indicating which members are shareholder or employee representatives and their appointments to the supervisory bodies of other companies can be found from page 144 onward](#)

[The compensation of the Supervisory Board is presented in the Compensation Report from page 158 onward](#)

## Personnel Committee

### Members

Dr. Jürgen Hambrecht (chairman), Michael Diekmann, Sinischa Horvat, 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 (until May 4, 2018), Tatjana Diether (since May 4, 2018), Franz Fehrenbach, Michael Vassiliadis

### Duties

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports including the Nonfinancial Statements and discusses the quarterly statements and the half-year financial report 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 non-audit services; the chairman of the Audit Committee regularly discusses this with the auditor outside of meetings as well
- 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

### 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.

### 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), Ralf-Gerd Bastian (until May 4, 2018), Dame Alison Carnwath DBE, Michael Diekmann, Waldemar Helber (since May 4, 2018), Sinischa Horvat, 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 2018 business year, meetings were held as follows:

- The Supervisory Board met five times.
- The Personnel Committee met three times.
- The Audit Committee met five times.
- The Nomination Committee met three times.
- The Strategy Committee met once.

With the exception of one Supervisory Board meeting, one Audit Committee meeting and one Personnel Committee meeting, at each of which one member was absent, all respective members attended all meetings of the Supervisory Board and its committees.

[For more information on the Supervisory Board's activities and resolutions in the 2018 business year, see the Report of the Supervisory Board from page 160 onward](#)

[For an individual overview of meeting attendance, see bast.com/supervisoryboard/meetings](http://bast.com/supervisoryboard/meetings)

### Competence profile, diversity concept and objectives for the composition of the Supervisory Board

#### ■ 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 Execu-

tive Directors and the Supervisory Board, are appropriately filled. On December 21, 2017, the Supervisory Board therefore agreed on objectives for the composition, the competence profile and the diversity concept of the Supervisory Board in accordance with section 5.4.1 of the German Corporate Governance Code and section 289f(2) no. 6 of the German Commercial Code (HGB). The guiding principle for the composition of the Supervisory Board is to ensure qualified supervision and guidance for the Board of Executive Directors of BASF SE. Candidates shall be proposed to the Annual Shareholders' Meeting for election to the Supervisory Board who can, based on their professional expertise and experience, integrity, commitment, independence and character, successfully perform the work of a supervisory board member at an international chemical company.

#### Competence profile

The following requirements and objectives are considered essential to the composition of the Supervisory Board as a collective body:

- Leadership experience in managing companies, associations and networks
- Members' collective knowledge of the chemical sector and the related value chains
- Appropriate knowledge within the body as a whole of finance, accounting, financial reporting, law and compliance as well as one independent member with accounting and auditing expertise ("financial expert") within the meaning of section 100(5) of the German Stock Corporation Act (AktG)
- At least one member with in-depth experience in digitalization, information technology, business models and start-ups
- At least one member with in-depth experience in human resources, corporate governance, communications and the media
- Specialist knowledge and experience in sectors outside of the chemical industry

### Diversity concept

The Supervisory Board strives to achieve a reasonable level of diversity with respect to character, gender, international representation, professional background, specialist knowledge and experience as well as age distribution, and takes the following composition criteria into account:

- At least 30% women and 30% men
- At least 30% of members have international experience based on their background or professional experience
- At least 50% of members have different educational backgrounds and professional experience
- At least 30% under the age of 60

### Further composition objectives

- **Character and integrity:** All members of the Supervisory Board must be personally reliable and have the knowledge and experience required to diligently and independently perform the work of a supervisory board member.
- **Availability:** Each member of the Supervisory Board ensures that they invest the time needed to properly perform their role as a member of the Supervisory Board of BASF SE. The statutory limits on appointments to governing bodies and the recommendations of the German Corporate Governance Code must be complied with and the demands of the capital market given appropriate consideration when accepting further appointments.
- **Age limit and period of membership:** Persons who have reached the age of 72 on the day of election by the Annual Shareholders' Meeting should generally not be nominated for election. Membership on the Supervisory Board should generally not exceed 15 years; this corresponds to three regular statutory periods in office.
- **Independence:** All Supervisory Board members should be independent within the meaning of the criteria specified in the German Corporate Governance Code. This means that they may not have a personal or business relationship with BASF, its governing bodies, a controlling shareholder or a company affiliated with this controlling shareholder that may cause a substantial and not

merely temporary conflict of interest. The Supervisory Board has additionally defined the following principles to clarify the meaning of independence: The independence of employee representatives is not compromised by their role as an employee representative or employment by BASF SE or a Group company. Prior membership of the Board of Executive Directors does not preclude independence following the expiry of the statutory cooling-off period of two years. Members who have sat on the Supervisory Board for more than 15 years are not considered independent. Based on these criteria, the Supervisory Board should comprise at least 10 independent members; this also means that of the total of six shareholder representatives, at least four must be independent.

### Status of implementation

According to the Supervisory Board's own assessment, its current composition already meets nearly all of the requirements of the competence profile. Only the competence area of digitalization is not yet completely covered. The Supervisory Board intends to meet the competence profile in full with its nominations for election to the Supervisory Board in 2019.

According to the Supervisory Board's assessment, 10 of the 12 current members are considered independent based on the above criteria. Two members of the Supervisory Board no longer meet the independence criteria as they have been members of the Supervisory Board since May 1998 and May 2003. These two members will not be proposed for reelection in the regular election of the Supervisory Board at the Annual Shareholders' Meeting on May 3, 2019, and will retire from the Supervisory Board.

[For more information on the statutory minimum quotas for the number of women and men on the Supervisory Board, see the following section](#)

[The independent Supervisory Board members are named under Management and Supervisory Boards from page 144 onward](#)

### 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

The supervisory board of a publicly listed European stock corporation (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% women and 30% men. Since the 2018 Annual Shareholders' Meeting, the Supervisory Board of BASF SE comprises four women, of whom two are shareholder representatives and two are employee representatives, and eight men; its composition meets the statutory requirements. On conclusion of the 2018 Annual Shareholders' Meeting, the departing Supervisory Board member Ralf-Gerd Bastian was succeeded by Tatjana Diether, who was personally chosen to replace him as early as late 2013 until the end of the 2019 Annual Shareholders' Meeting.

As a target figure for the Board of Executive Directors, the Supervisory Board determined that, in accordance with section 111(5) AktG for the second target-attainment period after the law's entry into force, which began on January 1, 2017, the Board of Executive Directors should continue to have at least one female member. With eight members of the Board of Executive Directors, this represented 12.5% on the date the target was set, and today represents 14.3% with seven members. 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 the goals for the second target-attainment period was set for December 31, 2021.



BASF views the further development and promotion of women as a global duty independent of individual Group companies. We set ourselves ambitious global goals for this and made further progress in 2018. 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.

 The November 2015 Employee Participation Agreement relevant to the composition of the Supervisory Board is available at [basf.com/en/corporategovernance](http://basf.com/en/corporategovernance)

 For more information on women in leadership positions in the BASF Group worldwide, see page 23

For more information on the inclusion of diversity, including promotion of women, see the chapter on Employees in the Management's Report on page 112

## 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, resolves on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buy-backs, 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 sharehold-

ers to vote according to their instructions. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the end of the agenda discussion during the Annual Shareholders' Meeting. 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 February 2017. 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.

 The joint Declaration of Conformity 2018 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 166

 For more information on the Declaration of Conformity 2018, the implementation of the Code's suggestions and the German Corporate Governance Code, see [basf.com/en/corporategovernance](http://basf.com/en/corporategovernance)

## Disclosures according to section 315a(1) of the German Commercial Code (HGB) and 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, 2018, 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 and 85 AktG as well as Article 7 of the Statutes of BASF SE. 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. At BASF, Board members are

initially often only appointed for a term of three years. 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) of the 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, 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 on 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 authorized capital.

Until May 1, 2019, the Board of Executive Directors of BASF SE is authorized by a resolution passed at the Annual Shareholders' Meeting of May 2, 2014, to increase subscribed capital – with the approval of the Supervisory Board – by a total 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 achieved 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 cap-

ital in certain exceptional cases that are defined in Article 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 does not exceed 10% of the shares currently in issue or, in eligible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new shares. The contingent capital increase serves to grant shares to the holders of convertible bonds or warrants attached to bonds with warrants of BASF SE or a subsidiary, which the Board of Executive Directors is authorized to issue up to May 11, 2022, by way of a resolution of the Annual Shareholders' Meeting on May 12, 2017. A right to subscribe to the bonds shall be granted to shareholders. The Board of Executive Directors is authorized to exclude the subscription right in certain exceptional cases that are defined in Article 5(9) of the BASF SE Statutes.

At the Annual Shareholders' Meeting on May 12, 2017, the Board of Executive Directors was authorized to purchase up to 10% of the shares in issue at the time of the resolution (10% of the company's share capital) until May 11, 2022. 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 retire the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the retired shares.

Bonds issued by BASF SE grant the bearer the right to request early repayment of the bonds at nominal value if, after the date of issue of the bond, one person – or several persons acting together – hold or acquire a volume of BASF SE shares that 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 non-investment grade rating within 120 days of 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 157). 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 classed as senior executives will receive a severance payment if their contract of employment is terminated by BASF within 18 months of a change of control event, 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 315a(1) HGB refer to situations that are not applicable to BASF SE.

For more information on bonds issued by BASF SE, see [basf.com/bonds](https://www.basf.com/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 (directors' and officers' liability insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 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 (10% of damages up to one-and-a-half times the fixed annual compensation).

### 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 2018, a total of 28 purchases and one sale 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 20 and 15,000 BASF shares or BASF ADRs. The price per share was between €65.40 and €96.17. The volume of the individual trades was between €1,709.07 and €981,000.00. The disclosed share transactions are published on BASF SE's website.

For more information on securities transactions reported in 2018, see [basf.com/en/directorsdealings](https://www.basf.com/en/directorsdealings)

### Information on the auditor

The Annual Shareholders' Meeting of May 4, 2018, 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 2018 business year, as well as the 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. For this reason, a public call to tender was issued in 2015 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 2025 business year. Alexander Bock has been the auditor responsible for the Consolidated Financial Statements since auditing the 2017 Financial Statements. Since the 2017 Financial Statements, the auditor responsible for the Separate Financial Statements has been Dr. Stephanie Dietz.

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 2018. This represents around 4.7% of the fees for auditing the financial statements.

For more information, see Note 33 to the Consolidated Financial Statements on page 267

# Compliance

**Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. 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

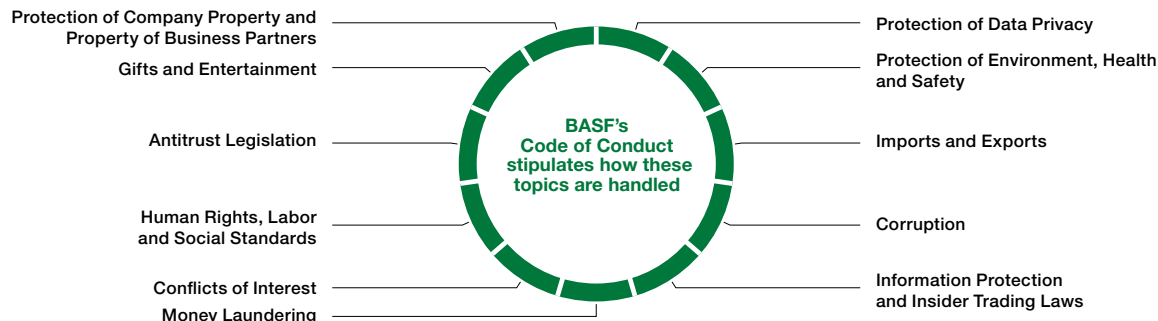
- Integrated into corporate values
- Regular compliance training for employees

Based on international standards, BASF's Compliance Program combines important laws and company-internal policies – often 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 also been embedded in our values. 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. We perform systematic risk assessments to identify the risk of compliance violations, including corruption risks. These are con-

## BASF's Code of Conduct



ducted at division, regional and country level. The regular compliance audits performed by the Corporate Audit department are another source for the systematic identification of risks. These risks are documented in each risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in the prevention of compliance violations is compulsory training and workshops held as classroom or online courses. 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. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In 2018, for instance, we again asked most of our employees around the world to take part in online refresher training as part of the compliance program. In total, more than 96,000 participants worldwide received around 84,000 hours of compliance training in 2018.<sup>1</sup>

For more information on the BASF Code of Conduct, see [basf.com/code\\_of\\_conduct](http://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. Thanks to the early introduction of our compliance standards, which were consolidated in our global Code of Conduct in 2013, these are firmly established and undisputed. We expect all employees to act in line with these compliance principles. Managers

**Code of Conduct**  
forms core of our Compliance Program

**More than 96,000**  
participants in compliance training<sup>1</sup>

**84 internal audits**  
conducted on compliance

<sup>1</sup> Excluding the assets and businesses acquired from Bayer

place a key role here – they serve as an example of and communicate our values and culture both internally and externally.

### Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. He is supported in this task by more than 100 compliance officers worldwide in the regions and countries as well as in the divisions. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. 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. They can consult their managers, dedicated specialist departments, such as the Legal department, and company compliance officers. We have also set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report potential violations of laws or company guidelines. All hotlines are also open to the public. Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2018, 397 calls and emails were received by our external hotlines (2017: 290). These 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 on labor and social standards. We launched case-specific investigations, in accordance with applicable law and internal regu-

lations, into all cases of suspected misconduct that we became aware of. These include, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. In such isolated cases, we took disciplinary measures up to and including dismissal in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success.

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 2018, 84 Group-wide audits of this kind were performed (2017: 75). Our compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in November 2018. Overall, the audits confirmed the effectiveness of the compliance management system. No irregularities were shown in the audit's focus areas of antitrust law, trade controls and embargo.

We monitor our business partners in sales for potential compliance risks based on the global Guideline on Business Partner Due Diligence using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If a business partner is not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities, and whether

there are business processes with business partners from or in countries under embargo.

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, there is an internal guideline to respect international labor and social standards that is applicable throughout the Group. Outside of our company, too, we support respect for human rights and the fight against corruption. We are 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 information on the Supplier Code of Conduct and supplier assessments, see page 90 onward

 For more information on human rights and labor and social standards, see [basf.com/human\\_rights](https://basf.com/human_rights)

# Management and Supervisory Boards

## Board of Executive Directors

### There were seven members on the Board of Executive Directors of BASF SE as of December 31, 2018

#### Dr. Martin Bruder Müller

Chairman of the Board of Executive Directors

Degree: Chemistry, 57 years old, 31 years at BASF

**Responsibilities:** Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance; BASF 4.0; Corporate Technology & Operational Excellence; Digitalization in Research & Development; Innovation Management

**First appointed:** 2006, **term expires:** 2023

#### Dr. Hans-Ulrich Engel

Vice Chairman of the Board of Executive Directors

Degree: Law, 59 years old, 31 years at BASF

**Responsibilities:** Finance; Oil & Gas; Procurement; Supply Chain Operations & Information Services; Corporate Controlling; Corporate Audit

**First appointed:** 2008, **term expires:** 2023

**Internal memberships within the meaning of section 100(2) of the German Stock Corporation Act:**

Wintershall Holding GmbH (Chairman of the Supervisory Board)

Wintershall AG (Chairman of the Supervisory Board)

**Comparable German and non-German supervisory bodies:**

Nord Stream AG (member of the Shareholders' Committee)

#### Saori Dubourg

Degree: Business Administration, 47 years old, 22 years at BASF

**Responsibilities:** Agricultural Solutions; Construction Chemicals; Bioscience Research; Region Europe

**First appointed:** 2017, **term expires:** 2020

#### Sanjeev Gandhi

Degrees: Chemical Engineering, Business Administration, 52 years old, 25 years at BASF

**Responsibilities:** Intermediates; Monomers; Petrochemicals; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

**First appointed:** 2014, **term expires:** 2023

#### Michael Heinz

Degree: Business Administration, 54 years old, 35 years at BASF

**Responsibilities:** Engineering & Maintenance; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

**First appointed:** 2011, **term expires:** 2024

**Comparable German and non-German supervisory bodies:**

BASF Antwerpen N.V. (Chairman of the Administrative Council)

#### Dr. Markus Kamieth

Degree: Chemistry, 48 years old, 20 years at BASF

**Responsibilities:** Care Chemicals; Dispersions & Pigments; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; Region South America

**First appointed:** 2017, **term expires:** 2020

**Comparable German and non-German supervisory bodies:**

Solenis UK International Ltd. (member of the Board of Directors since February 1, 2019)

#### Wayne T. Smith

Degrees: Chemical Engineering, Business Administration, 58 years old, 15 years at BASF

**Responsibilities:** Catalysts; Coatings; Performance Materials; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America; Process Research & Chemical Engineering

**First appointed:** 2012, **term expires:** 2020

### The following member left the Board of Executive Directors on May 4, 2018

#### Dr. Kurt Bock

Chairman of the Board of Executive Directors

Degree: Business Administration, 60 years old, 27 years at BASF

**First appointed:** 2003, **term expires:** 2018

**Supervisory board membership until date of retirement**

**(excluding internal memberships):**

Fresenius Management SE (member)

### Division of responsibilities until May 4, 2018

The Chairman of the Board of Executive Directors Dr. Kurt Bock retired from the Board of Executive Directors following the Annual Shareholders' Meeting on May 4, 2018. The Supervisory Board appointed Dr. Martin Bruder Müller, previously Vice Chairman, as Chairman of the Board of Executive Directors and Dr. Hans-Ulrich Engel as Vice Chairman of the Board of Executive Directors as of this date. In the course of these changes, the number of Board members was reduced from eight to seven. Until May 4, 2018, the areas of responsibility within the Board of Executive Directors were allocated as follows:

#### Dr. Kurt Bock

Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance

#### Dr. Martin Bruder Müller

Petrochemicals; Monomers; Intermediates; Process Research & Chemical Engineering; Innovation Management; Digitalization in Research & Development; Corporate Technology & Operational Excellence; BASF New Business

#### Saori Dubourg

Construction Chemicals; Crop Protection; Bioscience Research; Region Europe

#### Dr. Hans-Ulrich Engel

Finance; Oil & Gas; Procurement; Supply Chain Operations & Information Services; Corporate Controlling; Corporate Audit

#### Sanjeev Gandhi

Dispersions & Pigments; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

#### Michael Heinz

Engineering & Maintenance; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

#### Dr. Markus Kamieth

Care Chemicals; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; Region South America

#### Wayne T. Smith

Catalysts; Coatings; Performance Materials; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America

### Division of responsibilities as of January 1, 2019

#### Dr. Martin Bruder Müller

Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance; Corporate Technology & Operational Excellence; Innovation Management

#### Dr. Hans-Ulrich Engel

Catalysts; Coatings; Oil & Gas; Finance; Procurement & Supply Chain Services; Digitalization & Information Services; Corporate Controlling; Corporate Audit

#### Saori Dubourg

Agricultural Solutions; Construction Chemicals; Bioscience Research; Region Europe

#### Sanjeev Gandhi

Intermediates; Petrochemicals; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

#### Michael Heinz

Engineering & Technical Expertise; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

#### Dr. Markus Kamieth

Care Chemicals; Dispersions & Pigments; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; Region South America

#### Wayne T. Smith

Monomers; Performance Materials; Process Research & Chemical Engineering; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America

## Supervisory Board

### In accordance with the Statutes, the Supervisory Board of BASF SE comprises 12 members

The term of office of the Supervisory Board commenced following the Annual Shareholders' Meeting on May 2, 2014, in which the shareholder representatives on the Supervisory Board were elected. It terminates upon conclusion of the Annual Shareholders' Meeting that resolves on the discharge of members of the Supervisory Board for the fourth complete business year after the term of office commenced; this is the Annual Shareholders' Meeting on May 3, 2019. The Supervisory Board comprises the following members:

#### Dr. Jürgen Hambrecht, Neustadt an der Weinstraße, Germany\*<sup>1</sup>

Chairman of the Supervisory Board of BASF SE  
Former Chairman of the Board of Executive Directors of BASF SE (until May 2011)

**Member of the Supervisory Board since:** May 2, 2014

#### Supervisory board memberships:

Fuchs Petrolub SE<sup>3</sup> (chairman)  
Trumpf GmbH & Co. KG<sup>4</sup> (chairman)  
Daimler AG<sup>3</sup> (member)

#### Michael Diekmann, Munich, Germany<sup>1</sup>

Vice Chairman of the Supervisory Board of BASF SE  
Chairman of the Supervisory Board of Allianz SE

**Member of the Supervisory Board since:** May 6, 2003

#### Supervisory board memberships:

Allianz SE<sup>3</sup> (chairman)  
Fresenius Management SE<sup>4</sup> (member)  
Fresenius SE & Co. KGaA<sup>3</sup> (vice chairman)  
Siemens AG<sup>3</sup> (member)

#### Sinischa Horvat, Limburgerhof, Germany\*<sup>2</sup>

Vice Chairman of the Supervisory Board of BASF SE  
Chairman of the Works Council of BASF SE, Ludwigshafen Site;  
Chairman of BASF's Joint Works Council and of the BASF Works Council Europe

**Member of the Supervisory Board since:** May 12, 2017

#### Dame Alison Carnwath DBE, Exeter, England\*<sup>1</sup>

Senior Advisor Evercore Partners

**Member of the Supervisory Board since:** May 2, 2014

#### Comparable German and non-German supervisory bodies:

Zurich Insurance Group AG<sup>3</sup> (independent, nonexecutive member of the Administrative Council)  
Zürich Versicherungs-Gesellschaft AG<sup>4</sup> (independent, nonexecutive member of the Administrative Council)  
Land Securities Group plc<sup>3</sup> (nonexecutive chairman of the Board of Directors until July 12, 2018)  
BP plc<sup>3</sup> (nonexecutive director since May 21, 2018)  
PACCAR Inc.<sup>3</sup> (independent member of the Board of Directors)  
Coller Capital Ltd.<sup>4</sup> (nonexecutive member of the Board of Directors)  
Broadwell Capital Limited<sup>4</sup> (nonexecutive member of the Board of Directors)

#### Prof. Dr. François Diederich, Dietikon, Switzerland<sup>1</sup>

Professor at the Swiss Federal Institute of Technology, Zurich, Switzerland

**Member of the Supervisory Board since:** May 19, 1998

#### Tatjana Diether, Limburgerhof, Germany\*<sup>2</sup>

Member of the Works Council of BASF SE, Ludwigshafen Site, and of the BASF Works Council Europe

**Member of the Supervisory Board since:** May 4, 2018

#### Franz Fehrenbach, Stuttgart, Germany\*<sup>1</sup>

Chairman of the Supervisory Board of Robert Bosch GmbH  
**Member of the Supervisory Board since:** January 14, 2008

#### Supervisory board memberships:

Robert Bosch GmbH<sup>4</sup> (chairman)  
Stihl AG<sup>3</sup> (vice chairman)  
Linde AG<sup>3</sup> (second deputy chairman)

#### Comparable German and non-German supervisory bodies:

Stihl Holding AG & Co. KG<sup>4</sup> (member of the Advisory Board)  
Linde plc<sup>3</sup> (member of the Board of Directors since December 22, 2018)

#### Waldemar Helber, Otterbach, Germany\*<sup>2</sup>

Deputy Chairman of the Works Council of BASF SE, Ludwigshafen Site

**Member of the Supervisory Board since:** April 29, 2016

#### Anke Schäferkordt, Cologne, Germany\*<sup>1</sup>

Member of the Executive Board of Bertelsmann SE & Co. KGaA (until December 31, 2018)  
Chief Executive Officer of Mediengruppe RTL Deutschland GmbH (until December 31, 2018)

**Member of the Supervisory Board since:** December 17, 2010

#### Comparable German and non-German supervisory bodies:

Métropole Télévision S.A.<sup>3</sup> (member of the Supervisory Board until December 31, 2018)

#### Denise Schellemans, Brecht, Belgium\*<sup>2</sup>

Full-time trade union delegate

**Member of the Supervisory Board since:** January 14, 2008

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 136 for the criteria used to determine independence)

<sup>1</sup> Shareholder representative

<sup>2</sup> Employee representative

<sup>3</sup> Publicly listed

<sup>4</sup> Not publicly listed



**Roland Strasser, Riedstadt, Germany\*<sup>2</sup>**

Regional Manager of the Rhineland-Palatinate/Saarland branch of IG BCE

**Member of the Supervisory Board since:** May 4, 2018

**Supervisory board memberships:**

AbbVie Komplementär GmbH<sup>4</sup> (member)

V & B Fliesen GmbH<sup>4</sup> (member since September 1, 2018)

**Michael Vassiliadis, Hannover, Germany\*<sup>2</sup>**

Chairman of the Mining, Chemical and Energy Industries Union

**Member of the Supervisory Board since:** August 1, 2004

**Supervisory board memberships:**

K+S Aktiengesellschaft<sup>3</sup> (vice chairman until May 15, 2018)

Steag GmbH<sup>4</sup> (member)

RAG AG<sup>3</sup> (vice chairman)

RAG DSK AG<sup>4</sup> (vice chairman)

Henkel AG & Co. KGaA<sup>3</sup> (member since April 9, 2018)

**The following members left the Supervisory Board on May 4, 2018**

**Ralf-Gerd Bastian, Neuhofen, Germany\*<sup>2</sup>**

Member of the Works Council of BASF SE, Ludwigshafen Site (until March 16, 2018)

**Member of the Supervisory Board since:** May 6, 2003

**Francesco Grioli, Ronnenberg, Germany\*<sup>2</sup>**

Member of the Executive Committee of the Mining, Chemical and Energy Industries Union

**Member of the Supervisory Board since:** May 2, 2014

**Supervisory board memberships:**

Gerresheimer AG<sup>3</sup> (vice chairman)

Villeroy & Boch AG<sup>3</sup> (member until March 23, 2018)

V & B Fliesen GmbH<sup>4</sup> (member until May 31, 2018)

Continental AG<sup>3</sup> (member since November 1, 2018)

\* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 136 for the criteria used to determine independence)

<sup>1</sup> Shareholder representative

<sup>2</sup> Employee representative

<sup>3</sup> Publicly listed

<sup>4</sup> Not publicly listed

# 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 members of the Board of Executive Directors, as well as information on the compensation of Supervisory Board members.**

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on the Disclosure of Management Board Remuneration (VorstOG) as well as the German Act on the Appropriateness of Management Board Remuneration (VorstAG), and is aligned with the recommendations of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

## Changes to the compensation system as of January 1, 2018

By way of a resolution of the Annual Shareholders' Meeting of May 4, 2018, the further development of the compensation system for the members of the Board of Executive Directors resolved by the Supervisory Board of BASF SE was approved with effect as of January 1, 2018.

One significant change relates to the variable compensation, which was adapted in accordance with a recommendation of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017. The further developed compensation system has been a part of the contracts of the members of the Board of Executive Directors since January 1, 2018. The individual changes were as follows:

- From 2018 onward, the previously applicable annual variable compensation (bonus), which was based on the current and two preceding years, was replaced by a performance bonus with a multiple-year, forward-looking assessment basis. The payment of one part of the performance bonus only occurs after the end of the four-year performance period.
- Until the end of 2017, the key performance indicator for the company's success and variable compensation was the return on assets (ROA). From 2018 onward, it is replaced by the return on capital employed (ROCE), which serves as a consistent key performance indicator for determining variable compensation for all other employee groups as well.
- A clawback clause was introduced for the variable compensation and applies in the event of substantial breaches of duty by a Board member.
- The pensionable age for Board members (Board Performance Pension) was raised from 60 to 63 years for new members appointed to the Board of Executive Directors.
- An option was introduced in the Board Performance Pension enabling members of the Board of Executive Directors to choose between payment of their pension entitlements in the form of a lifelong pension or a lump sum (lump-sum option).

## Principles and structure

The compensation of the Board of Executive Directors is determined by the company's size, complexity and financial position, as well as the performance of the Board of Executive Directors as a whole. It is designed to promote sustainable corporate development and ensure a pronounced variability in relation to the performance of the Board of Executive Directors and the BASF Group's success. The external and internal appropriateness of the Board's compensation is reviewed by an independent external auditor on a regular basis. Globally operating companies based in Europe serve as an external reference. For internal comparison, compensation, especially for senior executives, is considered in total as well as over time.

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

In 2016, the Supervisory Board engaged an independent external compensation consultant with an appropriateness review. The results of the appropriateness review revealed that the compensation granted to BASF's Board of Executive Directors at that time was below that of the peer group. On this basis, the Supervisory Board resolved in December 2016 to increase the compensation of the Board of Executive Directors with effect as of January 1, 2017. The amount of the increase was determined to position the compensation granted to BASF's Board of Executive Directors competitively within the peer group. The introduction of the new compensation system for the Board of Executive Directors as of January 1, 2018, had no effect on target compensation or maximum compensation.

[For more information on the Supervisory Board and its committees, see page 144 and from page 162 onward](#)

## Individual compensation components

### 1. Fixed salary

The fixed salary is a set amount of yearly compensation paid out in equal installments. It is regularly reviewed by the Supervisory Board and adjusted, when appropriate.

The annual fixed salary for an ordinary member of the Board of Executive Directors is currently €800,000. The fixed salary for the chairman of the Board of Executive Directors is 2 times the value for an ordinary Board member, and 1.33 times this value for the vice chairman.

### 2. Performance bonus

#### Performance bonus

- Four-year, forward-looking performance period
- The amount of the performance bonus is based on the achievement of set operational targets and strategic medium-term objectives, as well as the BASF Group's ROCE.
- 50% of the performance bonus calculated after the first year is deferred for another three years and only paid out at the end of the four-year performance period based on the achievement of strategic targets.
- If the target ROCE is met and the target achievement is 100%, the performance bonus is double the fixed salary (target amount).

The annual variable compensation in effect until the end of 2017 was replaced as of 2018 with a forward-looking performance bonus that is geared to sustainable corporate development and has a three-year deferral component. The performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. The target ROCE for the variable compensation is one percentage point above the cost of capital percentage for the financial year, which is determined using the weighted average cost of capital (WACC)

## Overview of compensation components

### 1. Fixed salary

Annual amount	€800,000 <sup>1</sup>
Payment	In equal installments

### 2. Performance bonus

Annual target	€1,600,000 <sup>1</sup>
Cap	€2,500,000 <sup>1</sup>
Payment	Performance bonus, part 1: after the Annual Shareholders' Meeting for the past business year Performance bonus, part 2: after the end of the four-year performance period

### 3. Long-term, share price-based incentive program

The annual amount granted is dependent on the fair value of the options as of the grant date and the scope of the individual investment	
Cap	€3,750,000 <sup>1, 2</sup>
Payment	In a period of 4 to 8 years after the grant date, depending on individual exercise date

### 4. Fringe benefits

The annual amount corresponds to the value of nonmonetary compensation

### 5. Company pension benefits

The annual service cost is the accounting figure for the pension entitlements accrued in the relevant business year

<sup>1</sup> Amounts apply to an ordinary member of the Board of Executive Directors. The amount for the chairman of the Board of Executive Directors is 2 times this value, and 1.33 times this value for the vice chairman.  
<sup>2</sup> To reach the cap, a Board member must make the maximum individual investment based on the maximum performance bonus and the set limit on the gain from exercising the options granted must be reached.

approach in accordance with the Capital Asset Pricing Model. This target reflects the strategic goal of achieving a ROCE considerably above the cost of capital percentage every year, even if the capital structure and interest rate level change over time. The target value is thus directly linked to the return expected by investors, which also serves as orientation for the BASF Group's value-based management.

For more information on the determination of the cost of capital percentage, see Value-Based Management on page 29

For each financial year, a member of the Board of Executive Directors is entitled to a performance bonus with a four-year performance period. After the first year of this four-year performance period, the performance bonus (performance bonus (gross)) is determined based on the achievement of operational targets (operational performance factor, OPF) and strategic targets (strategic performance factor, SPF) as well as the ROCE (ROCE factor). 50% of the amount is paid out after the Annual Shareholders' Meeting in the following year (performance bonus, part 1).

The remaining 50% is deferred for another three years and is not immediately payable (deferral component). The final amount of the deferral component is determined depending on the degree to which the strategic targets were achieved within the four-year performance period (strategic performance factor, SPF) and is paid out after the Annual Shareholders' Meeting in the year following the end of this four-year performance period (performance bonus, part 2).

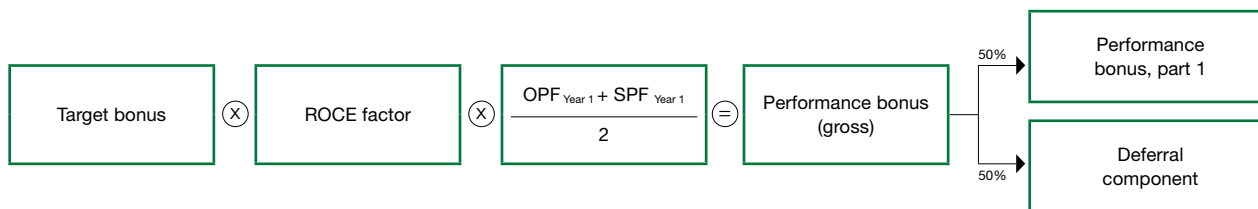
### Target agreement and evaluation

#### Target agreement

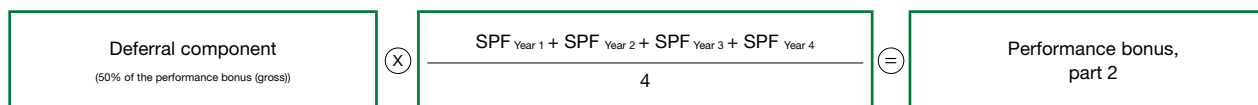
In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the Board of Executive Directors as a whole. The target agreement contains:

- One-year operational targets, primarily earnings, financial, investment and operational excellence targets such as EBIT before special items, EBIT after cost of capital, investments and operational excellence
- Multiple-year strategic targets relating to the further development of BASF, primarily targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and the BASF corporate values

#### Schematic overview: performance bonus, part 1



#### Schematic overview: performance bonus, part 2



The Board of Executive Directors' target agreement contains operational and strategic objectives. The operational targets (primarily earnings, financial, investment and operational excellence targets) cover the company's short-term financial performance. The strategic targets relate to BASF's medium and long-term development on the basis of the corporate strategy. They comprise targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and the BASF corporate values.

The achievement of operational and strategic targets is evaluated separately. The amount of the performance bonus thus takes into account the Board of Executive Directors' performance for both the short-term and long-term success of the company.

### Determination of performance factors

An operational performance factor and a strategic performance factor, each with a value between 0 and 1.5, are determined on the basis of the target achievement ascertained by the Supervisory Board. A target achievement rate of 100% equates to a value of 1.0 for the performance factor. The maximum performance factor of 1.5 applies for a target achievement rate of 125% and over; a target achievement rate of 50% or less represents a performance factor of 0.

#### Target achievement and performance factor

Target achievement	≤ 50 %	75%	100%	≥ 125 %
Performance factor	0	0.5	1.0	1.5

Values between these figures are interpolated

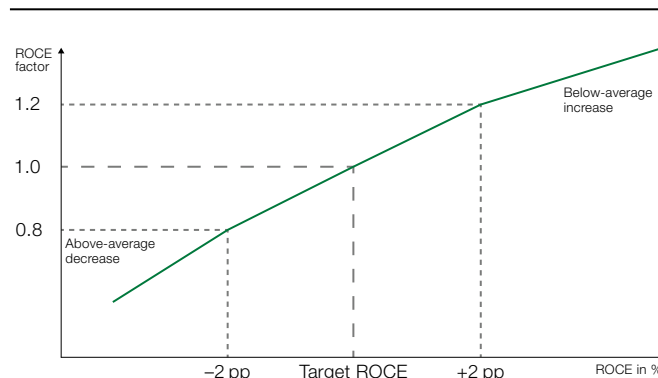
### Determination of the ROCE factor

The ROCE of the particular financial year serves as the key performance indicator for the success of the company when determining the performance bonus. ROCE is the ratio of income from operations (EBIT) of the segments in relation to the average operating costs in connection with acquisitions and gains or losses from the divestiture of businesses,<sup>1</sup> plus the customer and supplier financing not included there.

[For more information on operating assets, see Value-Based Management on page 29](#)

A ROCE factor is assigned to each relevant ROCE value. If the ROCE is two percentage points or more below the target ROCE, the ROCE factor will decline at a faster rate. The ROCE factor will increase at a slower rate if the ROCE is two percentage points or more above the target ROCE.

### ROCE factor



The ROCE factor is 1.0 if the ROCE achieved in the financial year is one percentage point above the weighted cost of capital percentage (based on the weighted average cost of capital, WACC, in accordance with the Capital Asset Pricing Model) for that year, meaning an appropriate premium on the cost of capital was earned. In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (e.g., integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of plus or minus 1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

If the target ROCE is met and the target achievement is 100%, the performance bonus is double the fixed salary (target amount).

The Supervisory Board sets a maximum amount for the performance bonus (cap). The current total cap is €2,500,000 for an ordinary member of the Board of Executive Directors (performance bonus, part 1 and performance bonus, part 2). The maximum amount for the chairman of the Board of Executive Directors is 2 times the maximum value for an ordinary member, and 1.33 times this value for the vice chairman.

<sup>1</sup> Corresponds to the income from operations (EBIT) of the operating divisions and the operating assets of the divisions as described in the Invitation to the 2018 Annual Shareholders' Meeting

### Target agreement and target achievement in 2018

The performance bonus (gross) for 2018 was determined on the basis of target achievement as ascertained by the Supervisory Board and ROCE for the 2018 business year.

### Operational performance factor (OPF<sub>2018</sub>):

The comparison of operational targets (see page 122 of the BASF Report 2017) with target achievement resulted in an operational performance factor (OPF<sub>2018</sub>) of 0.8:

- Targets for sales and improving operational excellence were met.
- Investments did not fully reach the target values in 2018.
- EBIT before special items and EBIT after cost of capital were considerably below the target values. Including the discontinued oil and gas business, EBIT before special items would have been slightly below the target value.

### Strategic performance factor (SPF<sub>2018</sub>):

The strategic targets were almost reached in the first year, which resulted in a strategic performance factor (SPF<sub>2018</sub>) of 0.9:

- The portfolio optimization and long-term investment targets were exceeded.
- Targets for digitalization and sustainability were met.
- Volumes growth and sales of innovative products were considerably below the target values.

### ROCE factor 2018:

The BASF Group's ROCE, which is used to determine compensation, was 11.4% in 2018. The target ROCE for 2018 was 11%, with the average cost of capital unchanged at 10%. Accordingly, the ROCE factor for 2018 was 1.04.

### Performance bonus (gross) for a full-year ordinary member of the Board of Executive Directors

Target amount 2018 performance bonus (2018–2021):	ROCE factor 2018:	$\frac{\text{OPF}_{2018} + \text{SPF}_{2018}}{2}$	Actual amount 2018 performance bonus (gross) (2018–2021):
€1,600,000	1.04	$\frac{0.8 + 0.9}{2}$	€1,414,400

### 3. Long-term, share price-based incentive program (LTI program)

#### LTI program

- Absolute performance threshold: BASF share price gains at least 30% compared with the base price for the LTI program concerned
- Relative performance threshold: BASF shares outperform the MSCI World Chemicals Index and no share price loss compared with the base price on the option grant date
- Share ownership obligation: Mandatory individual investment in BASF shares with a holding obligation of 10% of the actual performance bonus (gross), plus up to an additional 20% of the actual performance bonus (gross)
- Term: eight years
- Exercise first possible; four years after the grant date (vesting period)
- Maximum exercise gain (cap): five times the individual investment

An LTI program exists for members of the Board of Executive Directors. It is also offered to all other senior executives of BASF Group, with a small number of exceptions. To take part in the program, each participant must prove an individual investment in BASF shares and hold the shares for this purpose for a defined period of time (holding period). The individual investment can amount to a maximum of 30% of the participant's performance bonus (gross). The members of the Board of Executive Directors are obligated to invest at least 10% of their individual performance bonus (gross) in the LTI

program each year (share ownership obligation). This mandatory investment is subject to a holding period of four years. For any further additional voluntary investment of up to 20% of the performance bonus (gross), the general holding period of two years applies.

Four options are granted for each BASF share brought into the LTI program as an individual investment. After a four-year vesting period, there is a four-year exercise period during which the members of the Board of Executive Directors can exercise these options if performance thresholds are met. During the exercise period, the exercising of options is prohibited during certain periods (closed periods). Each member of the Board of Executive Directors can individually decide on the timing and extent of the exercising of options. Once the options are exercised, the computed value of the options is paid out in cash (cash settlement).



Each option consists of right A (absolute performance threshold) and right B (relative performance threshold), whose value is determined by different performance targets. At least one of the two conditions must be met in order for the option to be exercised:

- Performance threshold, right A: BASF share price increases at least 30% compared with the base price on the option grant date for the LTI program concerned. The value of right A is calculated as the difference between the market price of BASF shares on the exercise date and the base price on the option grant date. It is limited to 100% of the base price (cap). The base price for an LTI program is the volume-weighted average share price in Deutsche Börse AG's electronic trading system (Xetra) on the first trading day after the Annual Shareholders' Meeting of BASF SE in the year in which the LTI program is granted. The base price for the LTI program granted in 2018 was €85.45 (2017: €87.84).
- Performance threshold, right B: The cumulative percentage performance of the BASF share exceeds that of the MSCI World Chemicals Index (outperformance) and the price of the BASF share on the exercise date equals at least the base price. The value of right B is calculated as the base price of the option multiplied by twice the outperformance of BASF shares on the exercise date. It is limited to the closing price on the date of exercise minus the computed nominal value of BASF shares.

In total, the maximum exercise gain (cap) is limited to five times the individual investment and can amount to a maximum of €3,750,000 for an ordinary member of the Board of Executive Directors. The maximum amount for the chairman of the Board of Executive Directors is 2 times the maximum value for an ordinary Board member, and 1.33 times this value for the vice chairman.

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 information on share ownership by members of the Board of Executive Directors, see page 139](#)

[For more information on the LTI program, see page 114 and from page 263 onward](#)

#### 4. Nonmonetary compensation and other additional compensation (fringe benefits)

Members of the Board of Executive Directors receive various fringe benefits in addition to the abovementioned cash compensation. Fringe benefits include delegation allowances, accident insurance premiums, transportation and benefits from the provision of security measures by the company. The fringe benefits granted by the company are subject to specific provisions and thereby also limited in its amount.

The members of the Board of Executive Directors are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company. This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 of the German Stock Corporation Act.

#### 5. Company pension benefits

##### Board Performance Pension

- Accrual of annual pension units, the amount of which depend on the company's success and the performance of the Board of Executive Directors as a whole
- Pension entitlement: retirement, disability and surviving dependents' pensions
- Pension benefits due: on reaching the retirement age of 60 (63 for members first appointed to the Board of Executive Directors since 2017) or on account of disability or death

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 amount of which depends on the company's success and the performance of the Board of Executive Directors as a whole in the business year concerned. The method used to determine the amount of the pension benefits generally corresponds to that used for all other senior executives of the BASF Group in Germany. 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% (fixed pension component).

The variable component of the pension unit is the result of multiplying the fixed pension component with a performance factor based on the relevant ROCE in the reporting year concerned, as well as the performance factors relevant to the performance bonus (variable pension component).

The amount resulting from the fixed and the variable pension component is converted into a pension unit (lifelong pension) using actuarial factors (annuity conversion factor). The currently applied annuity conversion factor is based on an actuarial interest rate of 5%, the probability of death, invalidity and bereavement according to Heubeck Richttafeln, 2005G (modified) and an assumed pension increase (at least 1% each year).

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 on retirement, disability or death. Pension benefits fall due at the end of service on reaching the age of 60 (for members first appointed to the Board of Executive Directors after January 1, 2017: on reaching the age of 63), or on account of disability or death. Pension payments are reviewed on a regular basis and adjusted by at least 1% each year. Members of the Board of Executive Directors have the option to choose between payment of their pension entitlements in the form of a lifelong pension or a lump sum. The amount of the lump-sum payment is calculated by capitalizing the annual pension entitlement accrued as of the end of the service period as a member of the Board of Executive Directors.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board of Executive Directors, 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.

#### **Withholding and clawback clause**

A withholding and clawback clause was introduced as of January 1, 2018, for the performance bonus and the LTI program for all members of the Board of Executive Directors. In the event that a Board member commits a serious infringement of the Code of Conduct of BASF Group or of the duty of care as a member of the management of the company, this provision allows for a reduction or cancellation of not yet paid variable compensation as well as the clawback of variable compensation paid out since January 1, 2018.

#### **Amount of total compensation**

The tables on pages 154 to 156 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 the version dated February 7, 2017.

Due to the changes resolved to the compensation system for the Board of Executive Directors, this Compensation Report includes a comparison of the compensation granted and allocated under the two different systems. The compensation system for the Board of Executive Directors in effect until the end of 2017 is described in detail in the 2017 Compensation Report. The following comparison summarizes the changes.

	Compensation system for the Board of Executive Directors until the end of 2017	New compensation system for the Board of Executive Directors as of 2018
Performance bonus / annual variable compensation	<b>Annual variable compensation</b> <ul style="list-style-type: none"> <li>– The key performance indicator for the company's success is the return on assets (ROA)</li> <li>– Relevant performance factor is the average of the performance factors in the current and two preceding business years</li> <li>– Payment in full after the Annual Shareholders' Meeting for the business year</li> </ul>	<b>Performance bonus</b> <ul style="list-style-type: none"> <li>– The key performance indicator for the company's success is the return on capital employed (ROCE)</li> <li>– Relevant performance factors are the operational performance factor (OPF) for the current business year and the strategic performance factors (SPF) for the current and the following three business years</li> <li>– 50% paid out at the end of the current business year and 50% after the end of the four-year performance period</li> </ul>
Long-term incentive program (LTI)	<ul style="list-style-type: none"> <li>– Long-term, share price-based incentive program</li> <li>– Mandatory individual investment of 10% of the actual annual variable compensation; up to an additional 20% of the actual annual variable compensation can be invested on a voluntary basis</li> </ul>	<ul style="list-style-type: none"> <li>– No changes to the program</li> <li>– Mandatory individual investment of 10% now based on the performance bonus (gross); up to an additional 20% of the performance bonus (gross) can be invested on a voluntary basis</li> </ul>
Company pension benefits	<ul style="list-style-type: none"> <li>– The variable component of the pension unit is the result of multiplying the fixed pension component with a factor based on the relevant return on assets in the reporting year concerned, as well as the performance factor used to determine the actual annual variable compensation</li> </ul>	<ul style="list-style-type: none"> <li>– The variable component of the pension unit is the result of multiplying the fixed pension component with a factor based on the relevant ROCE in the reporting year concerned, as well as the performance factors relevant to the performance bonus</li> <li>– The pensionable age for Board members (Board Performance Pension) was raised from 60 to 63 years for new members appointed to the Board of Executive Directors after January 1, 2017</li> <li>– Option to choose between payment of pension entitlements in the form of a lifelong pension or a lump sum</li> </ul>
Withholding and clawback clause	<ul style="list-style-type: none"> <li>– None</li> </ul>	<ul style="list-style-type: none"> <li>– Withholding and clawback clause for the performance bonus and the LTI program</li> </ul>

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

The table "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" shows: fixed salary, fringe benefits, annual variable target compensation/performance bonus, LTI program measured at fair value as of 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 the German Corporate Governance Code (GCGC)" due to the disclosures required by section 314(1) no. 6a of the German Commercial Code (HGB) in connection with the German Accounting Standard 17 (GAS 17).

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

Thousand €

	Dr. Martin Brudermüller Chairman of the Board of Executive Directors (since May 4, 2018)				Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors (since May 4, 2018)				Saori Dubourg Member of the Board of Executive Directors (since May 12, 2017)				Sanjeev Gandhi			
	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
Fixed salary	1,064	1,416	1,416	1,416	800	973	973	973	507	800	800	800	538 <sup>1</sup>	761 <sup>1</sup>	761 <sup>1</sup>	761 <sup>1</sup>
Fringe benefits	46	136	136	136	59	112	112	112	37	58	58	58	2,079 <sup>2,3</sup>	1,637 <sup>2,3</sup>	1,637 <sup>2,3</sup>	1,637 <sup>2,3</sup>
<b>Total</b>	<b>1,110</b>	<b>1,552</b>	<b>1,552</b>	<b>1,552</b>	<b>859</b>	<b>1,085</b>	<b>1,085</b>	<b>1,085</b>	<b>544</b>	<b>858</b>	<b>858</b>	<b>858</b>	<b>2,617</b>	<b>2,398</b>	<b>2,398</b>	<b>2,398</b>
One-year variable target compensation	2,128	1,416	0	2,212	1,600	973	0	1,521	1,019	800	0	1,250	1,600	800	0	1,250
Annual variable target compensation	2,128	–	–	–	1,600	–	–	–	1,019	–	–	–	1,600	–	–	–
50% of the 2018 performance bonus (2018–2021)	–	1,416	0	2,212	–	973	0	1,521	–	800	0	1,250	–	800	0	1,250
Multiple-year variable compensation	483	2,303	0	5,832	363	1,640	0	4,243	53	1,130	0	2,596	121	1,467	0	3,972
50% of the 2018 performance bonus (2018–2021), deferral component	–	1,416	0	2,212	–	973	0	1,521	–	800	0	1,250	–	800	0	1,250
LTI program 2017 (2017–2025)	483	–	–	–	363	–	–	–	53	–	–	–	121	–	–	–
LTI program 2018 (2018–2026)	–	887	0	3,620	–	667	0	2,722	–	330	0	1,346	–	667	0	2,722
<b>Total</b>	<b>3,721</b>	<b>5,271</b>	<b>1,552</b>	<b>9,596</b>	<b>2,822</b>	<b>3,698</b>	<b>1,085</b>	<b>6,849</b>	<b>1,616</b>	<b>2,788</b>	<b>858</b>	<b>4,704</b>	<b>4,338</b>	<b>4,665</b>	<b>2,398</b>	<b>7,620</b>
Service cost	1,001	1,111	1,111	1,111	697	626	626	626	796	1,029	1,029	1,029	957	789	789	789
<b>Total compensation in accordance with GCGC</b>	<b>4,722</b>	<b>6,382</b>	<b>2,663</b>	<b>10,707</b>	<b>3,519</b>	<b>4,324</b>	<b>1,711</b>	<b>7,475</b>	<b>2,412</b>	<b>3,817</b>	<b>1,887</b>	<b>5,733</b>	<b>5,295</b>	<b>5,454</b>	<b>3,187</b>	<b>8,409</b>
<b>Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17</b>																
Less granted annual variable target compensation	(2,128)	–			(1,600)	–			(1,019)	–			(1,600)	–		
Less 50% of the granted 2018 performance bonus (2018–2021), (one-year component)	–	(1,416)			–	(973)			–	(800)			–	(800)		
Less 50% of the granted 2018 performance bonus (2018–2021), (deferral component)	–	(1,416)			–	(973)			–	(800)			–	(800)		
Plus allocated actual annual variable compensation	2,414	1,251			1,815	860			1,156	707			1,815	707		
Less service cost	(1,001)	(1,111)			(697)	(626)			(796)	(1,029)			(957)	(789)		
<b>Total compensation</b>	<b>4,007</b>	<b>3,690</b>			<b>3,037</b>	<b>2,612</b>			<b>1,753</b>	<b>1,895</b>			<b>4,553</b>	<b>3,772</b>		

<sup>1</sup> Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

<sup>2</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

<sup>3</sup> Fringe benefits include the payment of additional taxes for 2017 and/or 2018 and tax back payments for previous years arising in connection with transfers.

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

Thousand €

	Michael Heinz				Dr. Markus Kamieth Member of the Board of Executive Directors (since May 12, 2017)				Wayne T. Smith				Dr. Kurt Bock Chairman of the Board of Executive Directors (until May 4, 2018)			
	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
Fixed salary	800	800	800	800	507	800	800	800	955 <sup>1</sup>	888 <sup>1</sup>	888 <sup>1</sup>	888 <sup>1</sup>	1,600	557	557	557
Fringe benefits	33	34	34	34	27	41	41	41	71 <sup>2</sup>	165 <sup>2</sup>	165 <sup>2</sup>	165 <sup>2</sup>	84	46	46	46
<b>Total</b>	<b>833</b>	<b>834</b>	<b>834</b>	<b>834</b>	<b>534</b>	<b>841</b>	<b>841</b>	<b>841</b>	<b>1,026</b>	<b>1,053</b>	<b>1,053</b>	<b>1,053</b>	<b>1,684</b>	<b>603</b>	<b>603</b>	<b>603</b>
One-year variable target compensation	1,600	800	0	1,250	1,019	800	0	1,250	1,600	800	0	1,250	3,200	557	0	870
Annual variable target compensation	1,600	–	–	–	1,019	–	–	–	1,600	–	–	–	3,200	–	–	–
50% of the 2018 performance bonus (2018–2021)	–	800	0	1,250	–	800	0	1,250	–	800	0	1,250	–	557	0	870
Multiple-year variable compensation	363	1,467	0	3,972	182	1,292	0	3,257	431	1,596	0	3,972	726	1,682	0	5,464
50% of the 2018 performance bonus (2018–2021), deferral component	–	800	0	1,250	–	800	0	1,250	–	800	0	1,250	–	557	0	870
LTI program 2017 (2017–2025)	363	–	–	–	182	–	–	–	431	–	–	–	726	–	–	–
LTI program 2018 (2018–2026)	–	667	0	2,722	–	492	0	2,007	–	796	0	2,722	–	1,125	0	4,594
<b>Total</b>	<b>2,796</b>	<b>3,101</b>	<b>834</b>	<b>6,056</b>	<b>1,735</b>	<b>2,933</b>	<b>841</b>	<b>5,348</b>	<b>3,057</b>	<b>3,449</b>	<b>1,053</b>	<b>6,275</b>	<b>5,610</b>	<b>2,842</b>	<b>603</b>	<b>6,937</b>
Service cost	816	661	661	661	791	1,023	1,023	1,023	844	709	709	709	1,142	325	325	325
<b>Total compensation in accordance with GCGC</b>	<b>3,612</b>	<b>3,762</b>	<b>1,495</b>	<b>6,717</b>	<b>2,526</b>	<b>3,956</b>	<b>1,864</b>	<b>6,371</b>	<b>3,901</b>	<b>4,158</b>	<b>1,762</b>	<b>6,984</b>	<b>6,752</b>	<b>3,167</b>	<b>928</b>	<b>7,262</b>
<b>Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17</b>																
Less granted annual variable target compensation	(1,600)	–			(1,019)	–			(1,600)	–			(3,200)	–		
Less 50% of the granted 2018 performance bonus (2018–2021), (one-year component)	–	(800)			–	(800)			–	(800)			–	(557)		
Less 50% of the granted 2018 performance bonus (2018–2021), (deferral component)	–	(800)			–	(800)			–	(800)			–	(557)		
Plus allocated actual annual variable compensation	1,815	707			1,156	707			1,815	707			3,629	492		
Less service cost	(816)	(661)			(791)	(1,023)			(844)	(709)			(1,142)	(325)		
<b>Total compensation</b>	<b>3,011</b>	<b>2,208</b>			<b>1,872</b>	<b>2,040</b>			<b>3,272</b>	<b>2,556</b>			<b>6,039</b>	<b>2,220</b>		

<sup>1</sup> Payment was made partly in local currency abroad based on a theoretical net salary in Germany.  
<sup>2</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

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

The "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)" shown for 2017 and 2018 comprises 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 €

	Dr. Martin Bruder Müller Chairman of the Board of Executive Directors (since May 4, 2018)		Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors (since May 4, 2018)		Saori Dubourg Member of the Board of Executive Directors (since May 12, 2017)		Sanjeev Gandhi		Michael Heinz		Dr. Markus Kamieth Member of the Board of Executive Directors (since May 12, 2017)		Wayne T. Smith		Dr. Kurt Bock Chairman of the Board of Executive Directors (until May 4, 2018)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Fixed salary	1,064	1,416	800	973	507	800	538 <sup>5</sup>	761 <sup>5</sup>	800	800	507	800	955 <sup>5</sup>	888 <sup>5</sup>	1,600	557
Fringe benefits	46	136	59	112	37	58	2,079 <sup>6,7</sup>	1,637 <sup>6,7</sup>	33	34	27	41	71 <sup>6</sup>	165 <sup>6</sup>	84	46
<b>Total</b>	<b>1,110</b>	<b>1,552</b>	<b>859</b>	<b>1,085</b>	<b>544</b>	<b>858</b>	<b>2,617</b>	<b>2,398</b>	<b>833</b>	<b>834</b>	<b>534</b>	<b>841</b>	<b>1,026</b>	<b>1,053</b>	<b>1,684</b>	<b>603</b>
One-year variable compensation	2,414	1,251	1,815	860	1,156	707	1,815	707	1,815	707	1,156	707	1,815	707	3,629	492
Actual annual variable compensation <sup>1</sup>	2,414	–	1,815	–	1,156	–	1,815	–	1,815	–	1,156	–	1,815	–	3,629	–
Performance bonus 2018 (2018–2021), part 1 <sup>2</sup>	–	1,251	–	860	–	707	–	707	–	707	–	707	–	707	–	492
Multiple-year variable compensation	–	–	4,037	1,401	–	–	–	–	–	–	–	–	–	–	4,504	1,631
LTI program 2009 (2009–2017)	–	–	4,037 <sup>3</sup>	–	–	–	–	–	–	–	–	–	–	–	4,504 <sup>3</sup>	–
LTI program 2010 (2010–2018)	–	–	–	1,401 <sup>4</sup>	–	–	–	–	–	–	–	–	–	–	–	1,631 <sup>4</sup>
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>3,524</b>	<b>2,803</b>	<b>6,711</b>	<b>3,346</b>	<b>1,700</b>	<b>1,565</b>	<b>4,432</b>	<b>3,105</b>	<b>2,648</b>	<b>1,541</b>	<b>1,690</b>	<b>1,548</b>	<b>2,841</b>	<b>1,760</b>	<b>9,817</b>	<b>2,726</b>
Service cost	1,001	1,111	697	626	796	1,029	957	789	816	661	791	1,023	844	709	1,142	325
<b>Total compensation in accordance with GCGC</b>	<b>4,525</b>	<b>3,914</b>	<b>7,408</b>	<b>3,972</b>	<b>2,496</b>	<b>2,594</b>	<b>5,389</b>	<b>3,894</b>	<b>3,464</b>	<b>2,202</b>	<b>2,481</b>	<b>2,571</b>	<b>3,685</b>	<b>2,469</b>	<b>10,959</b>	<b>3,051</b>

<sup>1</sup> The basis for the allocated actual annual variable compensation was the return on assets adjusted for special effects and the average performance factor for the current and two preceding years. This includes contributions made to the deferred compensation program.

<sup>2</sup> The basis for the performance bonus, part 1, is the ROCE factor and the average of the operating performance factor (OPF) and the strategic performance factor (SPF) in the year the performance bonus was granted. This includes contributions made to the deferred compensation program. 50% of the actual performance bonus is paid out; the remaining 50% of the actual performance bonus is not paid out for another three years (deferral component).

<sup>3</sup> At the end of the regular term of the LTI program 2009, exercise gains that were realized in 2013 were allocated to Dr. Hans-Ulrich Engel and Dr. Kurt Bock in 2017 in accordance with the special conditions of the U.S. LTI program.

<sup>4</sup> In 2018, at the end of the regular term of the LTI program 2010, exercise gains that were realized in 2017 and 2018 were allocated to Dr. Hans-Ulrich Engel, and exercise gains that were realized in 2016 were allocated to Dr. Kurt Bock in accordance with the special conditions of the U.S. LTI program.

<sup>5</sup> Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

<sup>6</sup> Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

<sup>7</sup> Fringe benefits include the payment of additional taxes and tax back payments for previous years arising in connection with transfers.



The table below shows the options granted to the Board of Executive Directors on July 1 of both reporting years.

#### Number of options granted

	2018	2017
Dr. Martin Brudermüller	33,892	18,724
Dr. Hans-Ulrich Engel	25,484	14,076
Saori Dubourg (since May 12, 2017)	12,600	2,040
Sanjeev Gandhi	25,484	4,692
Michael Heinz	25,484	14,076
Dr. Markus Kamieth (since May 12, 2017)	18,792	7,060
Wayne T. Smith	25,484	14,076
Dr. Kurt Bock (until May 4, 2018)	43,008	28,156
<b>Total</b>	<b>210,228</b>	<b>102,900</b>

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

In 2018, some of the option rights granted resulted in an expense and some resulted in income. This expense or income refers to the total of all option rights from the LTI programs 2010 to 2018 and is calculated as the difference in the fair value of the option rights on December 31, 2018, compared with the fair value on December 31, 2017, considering the option rights exercised and granted in 2018. The fair value of the option rights is based primarily on the development of the BASF share price and its relative performance compared with the benchmark index, the MSCI World Chemicals Index.

The expenses and income reported below are purely accounting figures that do not equate with the actual gains should options be exercised. Each member of the Board of Executive Directors 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 outstanding option rights held by the members of the Board of Executive Directors resulted in the following income and expenses in 2018: Dr. Martin Brudermüller: income of €4,170 thousand (2017: income of €604 thousand); Dr. Hans-Ulrich Engel: income of €3,821 thousand (2017: income of €1,300 thousand); Saori Dubourg: expense of €12 thousand (2017: expense of €8 thousand); Sanjeev Gandhi: income of €185 thousand (2017: expense of €178 thousand); Michael Heinz: income of €2,636 thousand (2017: income of €226 thousand); Dr. Markus Kamieth: expense of €13 thousand (2017: expense of €26 thousand); Wayne T. Smith: income of €1,602 thousand (2017: income of €35 thousand).

The income resulting from the accounting valuation of the option rights granted to Dr. Kurt Bock, the former Chairman of the Board of Executive Directors who retired in 2018, is included in the total compensation for former members of the Board of Executive Directors and their surviving dependents.

[For more information on the LTI program, see page 114 and from page 263 onward](#)

#### Pension benefits

The values for service cost incurred in 2018 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 the German Corporate Governance Code (GCGC)" and "Compensation allocated in accordance with the German Corporate Governance Code (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 table below shows the defined benefit obligations for the pension entitlements accrued until the end of 2018 (as of December 31 in each case):

Thousand €	2018	2017
Dr. Martin Brudermüller	19,993	17,248
Dr. Hans-Ulrich Engel	11,985	11,811
Saori Dubourg	5,067	3,665
Sanjeev Gandhi	4,586	3,598
Michael Heinz	12,735	11,411
Dr. Markus Kamieth	4,049	2,739
Wayne T. Smith	5,098	4,165
Dr. Kurt Bock (until May 4, 2018)	24,952	20,313
<b>Total</b>	<b>88,465</b>	<b>74,950</b>

#### End-of-service benefits

In the event that a member of the Board of Executive Directors appointed before 2017 retires from employment before the age of 60, either because their appointment was not extended or was revoked for an important reason, they are entitled to pension benefits if they have served on the Board for at least 10 years or if the period until they reach legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other employment against pension benefits until the legal retirement age is reached.

The following applies to end of service due to a change of control event: A change of control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding. If a Board member's appointment is revoked within one year of a change of control event, the Board member will receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed salary and annual variable target compensation). The Board member may also receive the fair value of the option rights acquired in connection with the LTI program within a period of three months or may continue to hold the existing rights under the terms of the pro-

gram. For the determination of the accrued pension benefits from the Board Performance Pension, the time up to the regular expiry of office is taken into consideration.

There is a general limit on severance pay (severance payment cap) for all Board members. Accordingly, payments made to a Board member upon premature termination of their contract, without serious cause, may not exceed the value of two years' compensation, including fringe benefits, nor compensate more than the remaining term of the contract. The severance payment cap is to be calculated on the basis of the total compensation for the past business year and, if appropriate, also the expected total compensation for the current business year. If the appointment to the Board of Executive Directors is prematurely terminated as the result of a change of control event, the payments may not exceed 150% of the severance compensation cap.

### Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to minus €5.5 million in 2018 (2017: €5.7 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program, as well as the income for 2018 relating to option rights that previous members of the Board still hold from the time of their active service period. The decline in total compensation was due to the fair value measurement of these option rights, which generated total income of €16.1 million in 2018 (2017: income of €4.4 million).

### Total compensation of former members of the Board of Executive Directors and their surviving dependents

Million €	2018	2017
Retirement and surviving dependents' pensions	10.6	10.1
Income from the fair value measurement of option rights	(16.1)	(4.4)
<b>Total</b>	<b>(5.5)</b>	<b>5.7</b>

Option rights that have not yet been exercised on retirement are to be continued under the conditions of the program including the associated holding period to emphasize that the compensation for the Board of Executive Directors is geared to sustainability.

Pension provisions for previous Board members and their surviving dependents amounted to €159.5 million (2017: €144.3 million).

### Compensation of Supervisory Board members

#### Compensation of Supervisory Board members

- Fixed salary €200,000<sup>1</sup>
- Share purchase and share holding component: 25% of the fixed compensation must be used to purchase shares in BASF; these shares must be held for the duration of membership on the Supervisory Board
- Compensation for committee memberships: €12,500<sup>2</sup>; Audit Committee: €50,000<sup>2</sup>
- No additional compensation is paid for the Nomination Committee

<sup>1</sup> The amount for the chairman of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chairman compared with the compensation of an ordinary member.

<sup>2</sup> The amount for the chairman of a committee is 2 times this value, and 1.5 times this value for the vice chairman.

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 €200,000. The amount for the chairman of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chairman compared with the compensation of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive an additional fixed compensation of €12,500. The additional fixed compensation for members of the Audit Committee is €50,000. The amount of additional fixed compensation for the chairman of a committee is 2 times this value, and 1.5 times this value for the vice chairman.

Each member of the Supervisory Board is required to use 25% of their fixed compensation to acquire shares in BASF SE, and to hold these shares for the duration of membership on the Supervisory Board. This does not apply to the amount of compensation that the member of the Supervisory Board transfers to a third party on a pro rata basis as a result of an obligation entered into before their appointment to the Supervisory Board. In this case, the utilization and holding obligation applies to 25% of the remaining compensation after deducting the amount transferred.

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 directors' and officers' liability insurance (D&O insurance) concluded by the company covers the duties performed by the members of the Supervisory Board. This policy provides for the level of deductibles for the Supervisory Board as recommended in section 3.8(3) of the German Corporate Governance Code (GCGC).

Total compensation of the Supervisory Board in 2018 was around €3.3 million (2017: around €3.3 million). The compensation of the individual Supervisory Board members was as follows.

### Compensation of the Supervisory Board of BASF SE

Thousand €

	Fixed salary		Compensation for committee memberships		Total compensation	
	2018	2017	2018	2017	2018	2017
Dr. Jürgen Hambrecht, Chairman <sup>1,2</sup>	500.0	500.0	50.0	50.0	550.0	550.0
Michael Diekmann, Vice Chairman <sup>3,4</sup>	300.0	300.0	31.3	31.3	331.3	331.3
Robert Oswald, Vice Chairman until May 12, 2017 <sup>5</sup>	–	125.0	–	10.4	–	135.4
Sinischka Horvat, Vice Chairman since May 12, 2017 <sup>3,9</sup>	300.0	200.0	25.0	16.7	325.0	216.7
Ralf-Gerd Bastian, Supervisory Board member until May 4, 2018 <sup>6</sup>	83.3	200.0	26.0	58.3	109.3	258.3
Dame Alison Carnwath DBE <sup>7,9</sup>	200.0	200.0	112.5	112.5	312.5	312.5
Prof. Dr. François Diederich	200.0	200.0	–	–	200.0	200.0
Tatjana Diether, Supervisory Board member since May 4, 2018 <sup>8</sup>	133.3	–	33.3	–	166.6	–
Franz Fehrenbach <sup>8</sup>	200.0	200.0	50.0	50.0	250.0	250.0
Francesco Grioli, Supervisory Board member until May 4, 2018	83.3	200.0	–	–	83.3	200.0
Waldemar Helber <sup>9</sup>	200.0	200.0	8.3	–	208.3	200.0
Anke Schäferkordt	200.0	200.0	–	–	200.0	200.0
Denise Schellemans	200.0	200.0	–	–	200.0	200.0
Roland Strasser, Supervisory Board member since May 4, 2018	133.3	–	–	–	133.3	–
Michael Vassiliadis <sup>3,8,9</sup>	200.0	200.0	75.0	75.0	275.0	275.0
<b>Total</b>	<b>2,933.2</b>	<b>2,925.0</b>	<b>411.4</b>	<b>404.2</b>	<b>3,344.6</b>	<b>3,329.2</b>

- 1 Chairman of the Personnel Committee
- 2 Chairman of the Strategy Committee
- 3 Member of the Personnel Committee
- 4 Vice Chairman of the Strategy Committee
- 5 Member of the Personnel and Strategy Committees until May 4, 2018
- 6 Member of the Audit and Strategy Committees until May 4, 2018
- 7 Chairman of the Audit Committee
- 8 Member of the Audit Committee
- 9 Member of the Strategy Committee

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders' Meeting, which takes delivery of the Consolidated Financial Statements for the business year. Accordingly, compensation relating to the year 2018 will be paid following the Annual Shareholders' Meeting on May 3, 2019, taking into account and applying the share purchase obligation.

In 2018, as in 2017, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF 38,400 (2018: approximately €33,200; 2017: approximately €34,500) 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 2018 for services rendered personally, in particular, the rendering of advisory and agency services.

[For more information on share ownership by members of the Supervisory Board, see page 139](#)

# Report of the Supervisory Board



*Dear Shareholders,*

In an increasingly difficult political and economic environment, the Supervisory Board addressed the following focus areas at length in 2018:

- The updated BASF corporate strategy
- Portfolio measures, in particular the acquisition of the seed and non-selective herbicides businesses from Bayer, the merger of the oil and gas businesses of BASF and LetterOne and the transfer of the paper and water chemicals business to a joint venture with Solenis, with 49% held by BASF, as well as the repositioning of the construction chemicals business
- The further development of the global manufacturing footprint and the planned establishment of a new Verbund site in southern China
- Changes to the Board of Executive Directors and preparations for the Supervisory Board elections

The Supervisory Board addressed its tasks with a sense of responsibility. Its aim is to lay the best possible foundation for BASF's continued successful and sustainable growth.

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

In 2018, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, all of the major financial key performance indicators (KPIs) of the BASF Group and its segments, the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development. The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director's company leadership.

The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings. The Chairman of the Supervisory Board was always promptly informed of current developments and significant individual issues. The Supervisory Board was involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on all of those individual measures taken by the Board of Executive Directors which by law or the Statutes required the approval of the Supervisory Board. In the 2018 business year, these included authorizing:

- The conclusion of the agreements to merge the oil and gas businesses of BASF and LetterOne in a joint venture, Wintershall DEA
- The expanded scope of the seed and crop protection businesses to be acquired from Bayer

- The assumption of a guarantee by BASF SE as part of in connection with the acquisition of a 10% share in a concession to produce natural gas and condensate in the Ghasha field in Abu Dhabi

### Supervisory Board meetings

The Supervisory Board held five meetings in the 2018 business year. With the exception of one two-day Supervisory Board meeting, which one member of the Supervisory Board was unable to attend on the first day, all members attended all Supervisory Board meetings in 2018. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors. All members of the Board of Executive Directors attended the Supervisory Board meetings unless it was deemed appropriate that the Supervisory Board discuss individual topics – such as personnel matters relating to the Board of Executive Directors – without them being present.

 An individual overview of attendance at meetings of the Supervisory Board and its committees will be made available on the company website at [basf.com/supervisoryboard/meetings](https://www.basf.com/supervisoryboard/meetings)

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

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

- Consolidation in the areas of crop protection and seeds, and the acquisition and integration of the seed business from Bayer
- The partial acquisition of the polyamide value chain from Solvay
- The merger of the oil and gas businesses of BASF and LetterOne in a joint venture, Wintershall DEA
- The transfer of the paper and water chemicals business to a joint venture with Solenis, with 49% held by BASF

- The repositioning of the construction chemicals business, including a potential divestiture
- The progress of the Nord Stream 2 pipeline project and its project financing
- The expansion of the battery materials business by establishing production capacities in cooperation with Norilsk Nickel and Toda
- The expansion of the global manufacturing footprint with the establishment of a new Verbund site in southern China

At its meeting on February 22, 2018, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2017 business year as presented by the Board of Executive Directors. The Supervisory Board met prior to the Annual Shareholders' Meeting on May 4, 2018, primarily to prepare for the Annual Shareholders' Meeting.

The main agenda items at the meeting on July 24, 2018, were the integration and further development of the seed business acquired from Bayer as well as the BASF Group's financial and tax strategy.

At the strategy meeting on October 24/25, 2018, the Board of Executive Directors and the Supervisory Board discussed at length the further development of the "We create chemistry" strategy and agreed on a repositioning of key elements with the BASF corporate strategy, especially relating to customer focus, sustainability, innovation, digitalization and operations. Key consultation topics were:

- Strategic portfolio development
- Operational excellence measures in production, including the digitalization of industrial processes
- Focusing on the customer in all activities
- Sustainability as a basis of long-term business success, in particular CO<sub>2</sub>-neutral growth
- Leveraging the power of innovation, including systematically harnessing the opportunities of digitalization
- Enhancing the company's organization with agile structures and streamlined decision-making processes

At its meeting on December 13, 2018, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning including the

investment budget for 2019, and as usual authorized the Board of Executive Directors to procure the necessary financing in 2019.

### Composition and compensation of the Board of Executive Directors

In several meetings in the 2018 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 2018 business year at its meeting on February 22, 2018.

At its meeting on December 13, 2018, the Supervisory Board evaluated, based on the counsel of the Personnel Committee, the Board of Executive Directors' performance in 2018.

The Chairman of the Board of Executive Directors, Dr. Kurt Bock, retired from the Board of Executive Directors following the Annual Shareholders' Meeting on May 4, 2018, so that he can be elected to the Supervisory Board and appointed as its chairman in 2020. He was succeeded as Chairman of the Board of Executive Directors by Dr. Martin Bruder Müller, who previously served as Vice Chairman of the Board of Executive Directors. Also with effect from May 4, 2018, the Chief Financial Officer, Dr. Hans-Ulrich Engel, was additionally appointed Vice Chairman of the Board of Executive Directors. Michael Heinz's appointment to the Board of Executive Directors was extended to the end of the 2024 Annual Shareholders' Meeting. At the same time, the number of Board members was reduced from eight to seven following the Annual Shareholders' Meeting. After being approved by the Annual Shareholders' Meeting on May 4, 2018, an updated compensation system for the Board of Executive Directors was introduced with effect as of January 1, 2018. All members of the Board of Executive Directors agreed to the required change to their employment contracts.

[For more information on the compensation of the Board of Executive Directors, see the Compensation Report on pages 146 to 158](#)

The division of responsibilities within the Board of Executive Directors was reallocated following the change in chairman and the reduction in the number of Board members as of May 4, 2018, and due to the reorganization of the segment structure as of January 1, 2019, as part of the updated corporate strategy. The division of responsibilities

proposed by the Board of Executive Directors was approved by the Supervisory Board in each case.

[For more information on the division of responsibilities within the Board of Executive Directors, see the Corporate Governance Report from page 142 onward](#)

### Committees

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

[For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report on pages 134 to 135](#)

The **Personnel Committee** met three times during the reporting period. With the exception of one meeting, which one committee member was unable to attend, all committee members attended the meetings. At its meeting on February 22, 2018, the Personnel Committee advised on the targets for the Board of Executive Directors for the 2018 business year. Key topics at the meeting on October 24, 2018, were the development of leadership at the top levels of management below the Board of Executive Directors, including long-term succession planning, potential alternate candidates for that Board of Executive Directors, the extension of Michael Heinz's appointment, as well as the review of the appropriateness of the compensation awarded to the Board of Executive Directors. The performance of the Board of Executive Directors in the 2018 business year and the appointments of the members of the Board of Executive Directors were discussed at the meeting on December 13, 2018.

The **Audit Committee** is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and in section 5.3.2 of the German Corporate Governance Code in the version dated February 7, 2017. This also includes auditing the Nonfinancial Statements of BASF SE and the BASF Group. The Audit Committee met five times during the reporting period. Its core duties were to review BASF SE's Financial Statements and Consolidated Financial Statements, as well as to discuss the quarterly statements and the half-year financial report with the Board of



Executive Directors prior to their publication. With the exception of one meeting, which one member did not attend, all committee members participated in the meetings.

At the meeting on February 20, 2019, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2018 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the nonfinancial statements of BASF SE and the BASF Group. In preparation for the audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Nonfinancial Statements and to issue an assurance report on this. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 23, 2018, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting – with the audit for the 2018 reporting year and auditing fees were agreed upon. The focus areas for the annual audit were discussed and defined together with the auditor. The Audit Committee excluded in principle 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 to a very limited extent. At the meeting on December 12, 2018, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system. The Audit Committee focused on the internal auditing system at the meeting on July 23, 2018, and compliance in the BASF Group on December 12, 2018. In these meetings, the head of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. In all meetings, the Audit Committee also received information on the development of risks from litigation.

The **Nomination Committee** is responsible for preparing candidate proposals for the Supervisory Board members to be elected by the Annual Shareholders' Meeting. The Nomination Committee is guided by the objectives for the composition of the Super-

visory Board adopted by the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met three times in 2018. All committee members attended all meetings. The meetings addressed, on the one hand, a review of the competence profile and diversity concept resolved in 2017, as well as the preparation of the proposals for the election of Supervisory Board members at the 2019 Annual Shareholders' Meeting. Based on an analysis of the competencies required by the Supervisory Board as a whole and the competencies already covered, the Nomination Committee used a broad-based selection process to identify suitable candidates to be proposed for election as the successors for Prof. Dr. François Diederich and Michael Diekmann, who will not stand for reelection. The chairman of the committee regularly informed the Supervisory Board as a whole of the status of the selection process. The Nomination Committee presented the results of the selection process together with a nomination proposal for the shareholder representatives to the Supervisory Board for resolution at its meeting on December 13, 2018.

The **Strategy Committee** met once in 2018. The Committee was established to consult on strategic options for the further development of the BASF Group and has comprised six members of the Supervisory Board since May 2017. All committee members attended the meeting. At the meeting, the committee primarily discussed the expanded scope of the acquisition of the seed and crop protection businesses from Bayer, the combination of the paper and water chemicals business with Solenis' business and the status of negotiations with LetterOne on the merger of the oil and gas businesses.

### Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2018, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code. In addition to the review of BASF's corporate governance culture, topics of discussion were the draft of a fundamentally revised German Corporate Governance Code and the proposal to translate the second E.U. Shareholder Rights Directive into German law and its not insignificant impact on the current corporate governance system. In addition, the competence profiles and diversity concepts adopted in 2017 for the Supervisory Board and the Board of Executive Directors were reviewed and confirmed.

For more information on the competence profiles, diversity concepts and composition goals, see page 133 and from page 135 onward

In accordance with the recommendations of the German Corporate Governance Code and the Guiding principles for the dialogue between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2018. The main topic ahead of the 2018 Annual Shareholders' Meeting was the changes to the compensation system for the Board of Executive Directors. Another focus in the second half of the year was the preparations for the Supervisory Board elections at the upcoming 2019 Annual Shareholders' Meeting.

At its meeting of December 13, 2018, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with section 161 of the German Stock Corporation Act (AktG). BASF complies with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, without exception. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

 The full Declaration of Conformity is rendered on page 166 and is available to shareholders on the company website at [basf.com/en/corporategovernance](https://basf.com/en/corporategovernance)

### Independence and efficiency review

---

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. According to assessments of the Supervisory Board, 10 of its 12 members can be considered independent within the meaning of the German Corporate Governance Code and the additional criteria defined by the Supervisory Board for evaluating their independence. The criteria used for this evaluation can be found in the Corporate Governance Report on page 136. Two of the six shareholder representatives on the Supervisory Board have been members of the Supervisory Board for more than 15 years and are no longer considered independent due to this long period of Supervisory Board membership. Beyond this limitation, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently, including for these Supervisory Board members. Both Supervisory Board members will not stand for reelection at the 2019 Annual Shareholders' Meeting and will retire from the Supervisory Board. 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 was again conducted in 2018, with the Chairman of the Supervisory Board holding individual dialogs with each Supervisory Board member using a structured questionnaire. Topics centered in particular on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; information supply of the Supervisory Board; the composition and work of the committees, and cooperation between shareholder and employee representatives. The Supervisory Board does not see any need for external support of its self-assessment. The results of these individual meetings were presented and thoroughly discussed at the Supervisory Board meeting on December 13, 2018. Overall, its members rated the Supervisory Board's activity as efficient.

Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2018 based on individual discussions by the chairman of the Audit Committee with all of its members. Material topic areas were the organization and content of the meetings and the supply of information as the basis of the Committees' work. The Audit Committee discussed the results at its meeting on December 12, 2018, and resolved, in consultation with the Supervisory Board, to further intensify its risk management activities, especially in connection with investments, acquisitions and divestitures.

### Separate and Consolidated Financial Statements

---

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2018 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management's Report and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under section 91(2) of the German Stock Corporation Act (AktG) in an appropriate manner. In particular, it had instituted an appropriate information and monitoring system that fulfilled the requirements of the company and is applicable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of

the financial statements are presented in the Auditor's Report, the content of which has been significantly expanded since the 2017 Financial Statements.

[The Auditor's Report is rendered from page 170 onward.](#)

[For more information on the auditor, see the Corporate Governance Report on page 139](#)

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

[The assurance report issued by KPMG on the substantive audit of the NFS can be found at \[basf.com/nfs-audit-2018\]\(http://basf.com/nfs-audit-2018\)](#)

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 20, 2019, as well as the accounts meeting of the Supervisory Board on February 21, 2019, and reported on the procedure and material findings of its audit, including the key audit matters described in the Auditor's Report. The auditor also provided detailed explanations of the reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the Financial Statements and Management's Report at its meeting on February 20, 2019, including the reports prepared by the auditor and the key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The chairman gave a detailed account of the preliminary review at the Supervisory Board meeting on February 21, 2019. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2018, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2018. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports. At its accounts meeting on February 21, 2019, the Supervisory Board approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the 2018 Financial Statements final. The Supervisory Board concurs with the proposal of the Board of

Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.20 per share.

## Composition of the Supervisory Board

Employee representatives Ralf-Gerd Bastian and Francesco Grioli retired from the Supervisory Board on conclusion of the Annual Shareholders' Meeting on May 4, 2018. The Supervisory Board expresses its very sincere thanks to Ralf-Gerd Bastian and Francesco Grioli for their services to the Supervisory Board. They were succeeded by Tatjana Diether and Roland Strasser, who joined the Supervisory Board as the alternate members appointed by the BASF Works Council Europe on December 4, 2013, in accordance with the Employee Participation Agreement dated November 15, 2007.

The Supervisory Board's term of office ends on conclusion of the 2019 Annual Shareholders' Meeting. At its meeting on December 13, 2018, the Supervisory Board resolved on candidate proposals for the election of the six shareholder representatives based on the recommendation of the Nomination Committee. According to the Supervisory Board's assessment, these meet the competence profile developed by the Supervisory Board and the objectives for its composition in full. The six employee representative were already elected by the BASF Works Council Europe on November 21, 2018, in accordance with the Employee Participation Agreement.

[For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 136](#)

## Thanks

The Supervisory Board wishes to thank all employees of the BASF Group worldwide and the management for their personal contribution in the 2018 business year.

Ludwigshafen, February 21, 2019



Jürgen Hambrecht  
Chairman of the Supervisory Board

# Declaration of Conformity Pursuant to Section 161 AktG

## Declaration of Conformity 2018 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 of the  
German Stock Corporation Act (AktG)**

The recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017, published by the Federal Ministry of Justice on April 24, 2017, in the official section of the electronic Federal Gazette are complied with and have been complied with since the submission of the last Declaration of Conformity in December 2017.

Ludwigshafen, December 2018

**The Supervisory Board**  
of BASF SE

**The Board of Executive Directors**  
of BASF SE

# Declaration of Corporate Governance

## **Declaration of Corporate Governance in accordance with section 315d HGB in connection with section 289f HGB**

The Declaration of Corporate Governance, pursuant to section 315d HGB in connection with section 289f HGB, comprises the subchapters Corporate Governance Report including the description of the diversity concept for the composition of the Board of Executive Directors and the Supervisory Board (except for the disclosures pursuant to section 315a(1) 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.

Pursuant to section 317(2) sentence 6 HGB, the auditor checked that the disclosures according to section 315d HGB were made.