

# 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.**

- New compensation system for Board of Executive Directors applied for the first time in 2020
- The one-year variable compensation is 70% below the prior-year level (sum of performance bonus part 1 and part 2)
- Members of the Board of Executive Directors voluntarily relinquished 20% of their fixed compensation in the second quarter of 2020

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 December 16, 2019. The existing system of compensation for the Board of Executive Directors was amended as of January 1, 2020, by resolution of the Supervisory Board in order to meet the changed requirements from the 2020 fiscal year onward arising from the German Act Implementing the Second E.U. Shareholder Rights Directive (ARUG II), which also entered into force on January 1, 2020, and from the German Corporate Governance Code (GCGC) in the version dated December 16, 2019. The amended compensation system for members of the Board of Executive Directors was approved by the Annual Shareholders' Meeting on June 18, 2020. Significant changes apply to the variable compensation and the pension benefits. The amended and

simplified system of compensation for members of the Board of Executive Directors has been applicable since January 1, 2020, for all service contracts for members of the Board of Executive Directors.

## Principles

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 (*Gesamtvorstand*). It is designed to contribute to sustainable corporate development and the achievement of strategic corporate goals. The long-term strategic goals communicated as part of BASF's strategy form the key performance indicators for the short-term and long-term variable compensation and thus foster the sustainable development of the company.

- The strategic target "**yield**" refers to an annual return on capital employed (ROCE) above the cost of capital percentage. The ROCE serves as the key performance indicator for determining the performance bonus (**short-term incentive, STI**).
- The strategic targets "**growth**," "**profitability**" and "**CO<sub>2</sub>-neutral growth until 2030**" are represented in the new **long-term incentive (LTI)** program. The final number of performance share units (PSUs) is determined based on the level of target achievement for the three strategic targets over the entire four-year period of the LTI program.

By taking into account the total shareholder return (development of the share price and dividend), the new LTI enables both members of the Board of Executive Directors and shareholders to participate in the sustainable development of the company.

The compensation of the Board of Executive Directors is marked by a pronounced variability in relation to the performance of the Board of Executive Directors as a whole and the BASF Group's success. The external and internal appropriateness of the Board's compensa-

tion is reviewed by an independent external auditor on a regular basis. DAX companies in Germany and globally operating companies in the rest of Europe<sup>1</sup> serve as an external reference.

For internal comparison, the compensation of senior executives and employees of BASF SE 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 the event of significant amendments, but at least every four years, the compensation system resolved by the Supervisory Board is presented to the Annual Shareholders' Meeting for approval.

In very exceptional cases (such as a severe economic crisis), the Supervisory Board can temporarily deviate from the components of the compensation system (procedures and rules on the compensation structure and amount as well as relating to the individual compensation components) for the Board of Executive Directors, if this is in the interest of the long-term well-being of the company.

[🔗 For more information on the Supervisory Board and its committees, see page 181 and from page 205 onward](#)

<sup>1</sup> The European peer group for the 2019 appropriateness review comprised the following companies: ABB, Air Liquide, Akzo Nobel, BAE Systems, Bayer, BHP, BMW, BP, Continental, Daimler, DSM, E.ON, EDF, Henkel, Linde, Rolls Royce, Royal Dutch Shell, Siemens, Solvay, Thyssenkrupp, Total, Volkswagen.

## Overview of compensation system

Non-performance-related compensation	<b>1. Fixed salary</b>	Annual amount	€800,000 <sup>a</sup>
		Payment in equal instalments	
	<b>2. Fringe benefits</b>	Annual target	€50,000 <sup>a</sup>
		Cap	€100,000 <sup>b</sup> corresponds to 200% of the annual target amount
	<b>3. Company pension benefits</b>	Annual target	€500,000 <sup>a</sup>
		Fixed annual pension contribution	
Performance-related compensation	<b>4. Short-term incentive (STI) with one-year performance period</b>	Annual target	€1,000,000 <sup>a</sup>
		Cap	€2,000,000 <sup>a</sup> corresponds to 200% of the annual target amount
		Payment after the Annual Shareholders' Meeting for the past fiscal year	
	<b>5. Long-term incentive (LTI) Performance Share Plan with four-year performance period</b>	Annual target	€1,400,000 <sup>a</sup>
		Cap	€2,800,000 <sup>a</sup> corresponds to 200% of the annual target amount
		Payment after the Annual Shareholders' Meeting following the four-year performance period	

<sup>a</sup> Two times this value for the chair of the Board of Executive Directors and 1.33 times this value for the vice chair

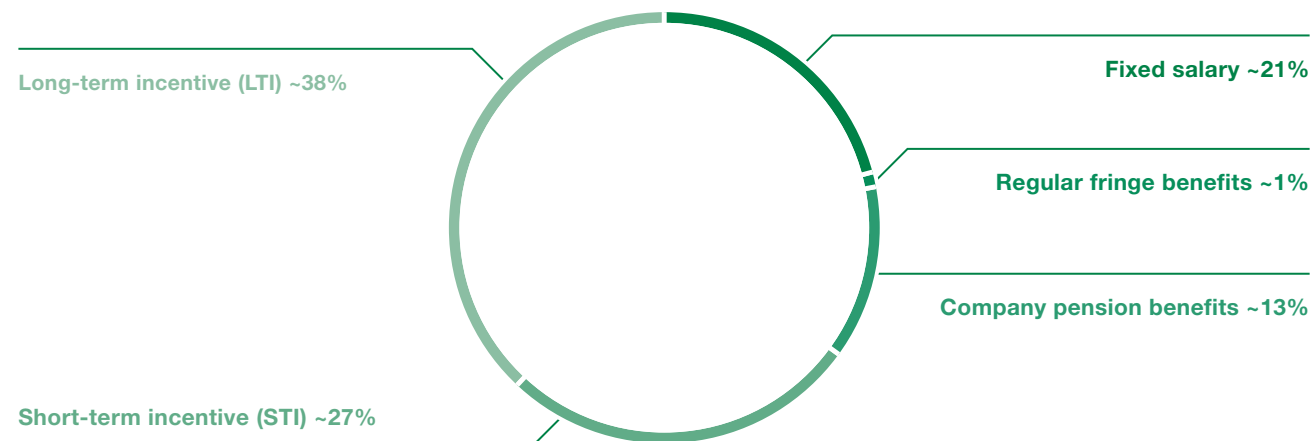
<sup>b</sup> The amount represents the target or maximum amount for the 2020 fiscal year for regularly granted fringe benefits. If one-off fringe benefits and/or transfer-related fringe benefits are granted in individual cases, the maximum amounts specified for this also apply.

Since January 1, 2020, the compensation system for the Board of Executive Directors contains the components listed in the overview with the target and maximum amounts valid for the 2020 fiscal year.

Components of the compensation system also include a withholding and clawback clause for variable compensation components as well as a Share Ownership Guideline, which obliges members of the Board of Executive Directors to hold a defined number of shares for the length of their Board mandate and beyond.

The relative proportions of the individual compensation components in the target total remuneration of members of the Board of Executive Directors are:

#### Relative proportions of the compensation components in annual target total remuneration<sup>a</sup>



<sup>a</sup> In individual cases, slight deviations are possible due to rounding.

### 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 a member of the Board of Executive Directors has been €800,000 since January 1, 2017. The fixed salary for the chair of the Board of Executive Directors is two times the value for a Board member, and 1.33 times this value for the vice chair.

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

Members of the Board of Executive Directors receive various fringe benefits, in some instances event-related fringe benefits. The regularly provided fringe benefits include accident insurance premiums, transportation and benefits from the provision of security measures by the company. The one-time, event-related fringe benefits include, inter alia, security measures at the member's private residence upon initial appointment to the Board of Executive Directors. The delegation-related fringe benefits for members of the Board of Executive Directors who are based abroad include fringe benefits to cover additional costs of transfers, such as assumption of prevailing local

rental costs and school fees at the assignment location, or the granting of a basic allowance and the assumption or reimbursement of additional taxes. The fringe benefits granted by the company are capped.

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

### 3. Company pension benefits

The previous pension benefits granted to members of the Board of Executive Directors (Board Performance Pension, deferred compensation program and basic coverage under BASF Pensionskasse) were discontinued as of January 1, 2020, and replaced by a new defined contribution pension.

#### Company pension benefits

- Defined contribution pension commitment in the form of an external capital investment model
- Pension entitlement: retirement, disability and surviving dependents' pensions
- Possibility to opt out in favor of an annual pension allowance

Since January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model. The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution:

- For the purpose of building retirement assets (retirement capital), the company pays pension contributions into an investment model to be chosen by the company. The pension account is managed by an external provider. The performance of the paid-in contributions is determined by the returns generated by the investment model. However, each member of the Board of Executive Directors is guaranteed a benefit of least 80% of the amount of the pension contributions paid by the company.
- The pension benefits include disability and survivor benefits. The disability capital corresponds to the value of the pension account at the time the disability occurs, but at least to 80% of the sum of the pension contributions paid by the company. The surviving dependents capital corresponds to the value of the pension account at the time of death of the member of the Board of Executive Directors, but at least to 80% of the sum of the pension contributions paid by the company.

- Members of the Board of Executive Directors can choose a pension allowance for private retirement savings instead of the defined contribution pension commitment. In this case, the defined annual pension contribution amount is paid in equal monthly installments as a gross amount to the member of the Board of Executive Directors. In this case, there is no further claim to benefits following the conclusion of the Board mandate, since the annual pension contribution is paid as a gross amount to the Board member in equal monthly installments during the term of the mandate.

For future entitlements from the new defined contribution pension commitment in the form of a capital investment model, the following applies:

- The pension benefit is paid as a capital payment, possibly in as many as 10 installments. Moreover, there is the possibility of choosing an annuity (lifetime pension payment).
- For conversion into an annuity, the actuarial parameters relevant at this point in time are used.
- If the member of the Board of Executive Directors dies while receiving the annuity, the surviving spouse receives a survivor benefits pension corresponding to 60% of the annuity. The same applies for civil partners.
- Current pensions are increased annually by 1% as of January 1.

4. Short-term incentive (STI)

Short-term incentive (STI)

- One-year performance period
- The amount of the STI is based on the achievement of set operational and strategic targets as well as the BASF Group's ROCE.
- The payout is limited to 200% of the target amount (cap).
- The payment occurs after the Annual Shareholders' Meeting following the fiscal year.

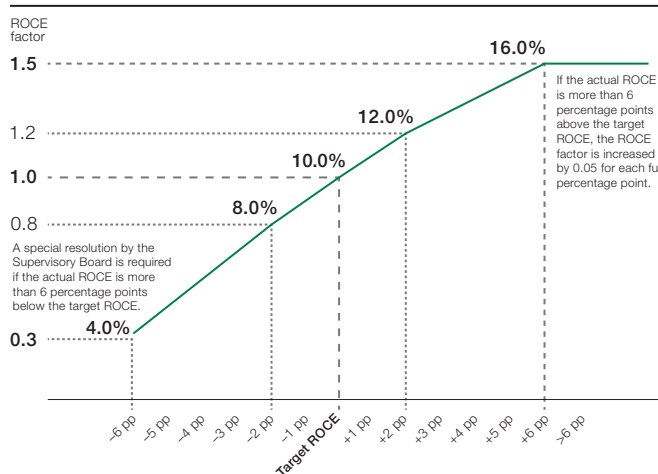
For each fiscal year, an STI with a one-year performance period is granted. The STI is based on the achievement of operational and strategic goals as well as the return on capital employed (ROCE), which is relevant for the compensation of all employees. The actual STI amount is paid out after the Annual Shareholders' Meeting in the following year.

With the ROCE as the key performance indicator for the variable compensation, the short-term variable compensation is directly linked to the company's operating success and aligned with the BASF Group's financial goal of earning a premium on the cost of capital. The ROCE of the particular fiscal year serves as the key performance indicator for the success of the company when determining the STI. ROCE is the ratio of income from operations (EBIT) of the segments in relation to the average operating assets of the segments, plus the customer and supplier financing not included there.

For more information on operating assets, see Value-Based Management on page 33

The target ROCE for the variable compensation is one percentage point above the cost of capital percentage for the fiscal year, which is determined using the weighted average cost of capital (WACC) approach in accordance with the capital asset pricing model. 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 fiscal year is one percentage point above the weighted cost of capital percentage (based on the 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 (for example, 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.

The Supervisory Board sets a maximum amount for the STI (cap). The current cap is €2,000,000 for a member of the Board of Executive Directors. The maximum amount for the chair of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chair.

For the fiscal year 2020, the target ROCE was 10% with a cost of capital percentage of 9%. This figure is reviewed and communicated annually. 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 and operational excellence targets. This includes, for example, EBIT before special items.
- One-year strategic targets relating to the further development of BASF, primarily targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and BASF corporate values.

These targets are in line with the outlook published in the forecast. A performance factor with a value between 0 and 1.5 is 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.

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

The payout of the STI is determined as follows:

$$\text{Target STI} \times \text{ROCE factor} \times \text{Performance factor} = \text{STI payout (gross)}$$

The payout is limited to 200% of the target amount (cap).

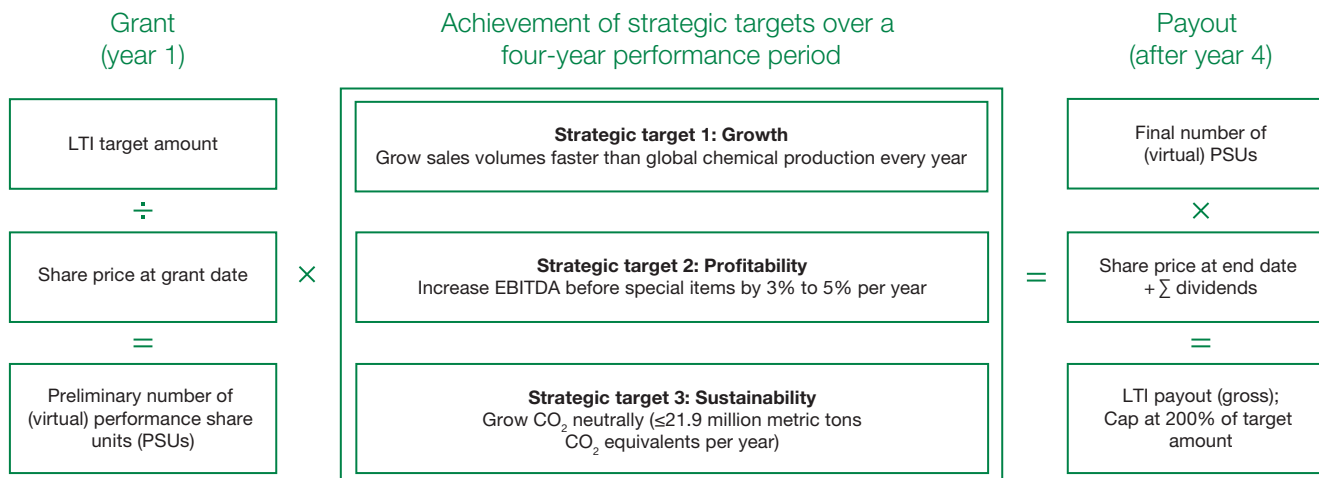
For more information on the determination of the cost of capital percentage, see Value-Based Management on page 33

### 5. Long-term incentive (LTI)

The LTI plan incentivizes the achievement of strategic goals and takes into consideration the development of the BASF share and dividend (Total Shareholder Return) over a period of four years. The LTI is also offered with slight variations to senior executives of the BASF Group.

#### Long-term incentive (LTI)

- Four-year performance period
- The payout amount is determined by the achievement of three agreed strategic targets (growth, profitability, sustainability) and the performance of the BASF share plus the dividends paid (total shareholder return).
- The payout is limited to 200% of the target amount (cap).
- The payout occurs in May following the Annual Shareholders' Meeting after the end of the four-year performance period.



**Grant:** For each fiscal year, an LTI plan with a four-year performance period will be granted. The target amount will be converted into a preliminary number of virtual performance share units (PSUs). To undertake this conversion, the target amount is divided by the average price of the BASF share in the fourth quarter of the year prior to the beginning of the respective plan.

**Targets and target achievement:** At the beginning of the four-year performance period, the Supervisory Board defines three strategic targets. Depending on the achievement of these strategic targets over the four-year performance period, the number of PSUs can increase or decline. To determine this, the number of provisional PSUs at the end of the four years is multiplied by the weighted target achievement rate for the three strategic targets.

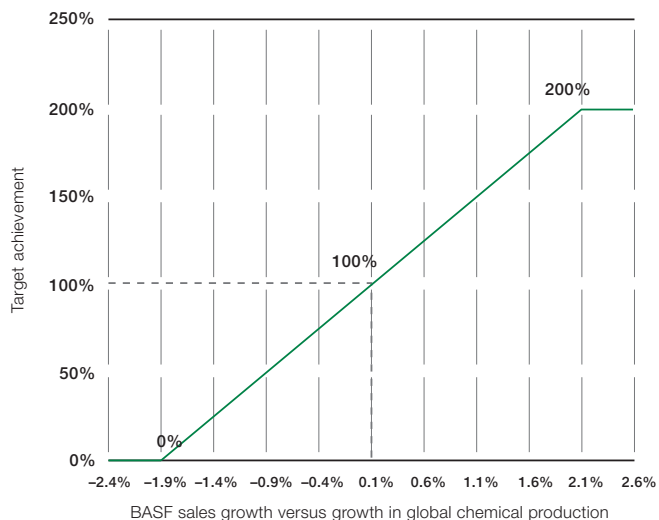
**Payout:** The final number of PSUs determined in this way is multiplied by the average share price of the BASF share in the fourth quarter of the last year of the four-year performance period plus the cumulative dividend payments in the four fiscal years of the performance period. The payout amount of the LTI therefore reflects not only the achievement of the strategic targets but also the development of BASF's total shareholder return. The actual LTI amount is paid out after the Annual Shareholders' Meeting in the year following the end of the four-year performance period. The payout is limited to 200% of the target amount (cap).

**Determination of target achievement:** For each of the three strategic targets, at the beginning of the four-year performance period the Supervisory Board defines a target value, which corresponds to a target achievement of 100%, as well as a minimal value, a maximum value and a target achievement curve.

For each strategic target, the target achievement rate is determined on an annual basis. At the end of the four-year performance period, the arithmetic mean of the four annual target achievement rates is calculated. The resulting average target achievement rates for the individual strategic targets are combined according to the defined weighting to reach a weighted target achievement. The preliminary number of PSUs is multiplied by the weighted target achievement in order to determine the final number of PSUs.

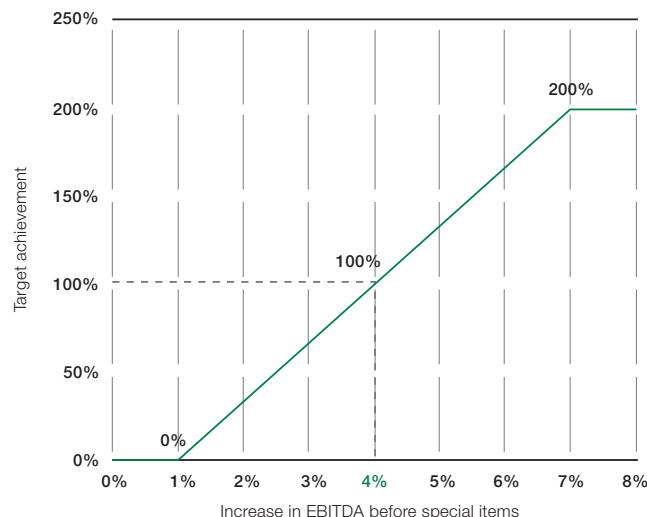
For the LTI plan 2020 (performance period 2020–2023) the following targets as communicated by the BASF corporate strategy (see BASF Report 2019, page 27) apply:

**Strategic target 1: Grow sales volumes faster than global chemical production every year**



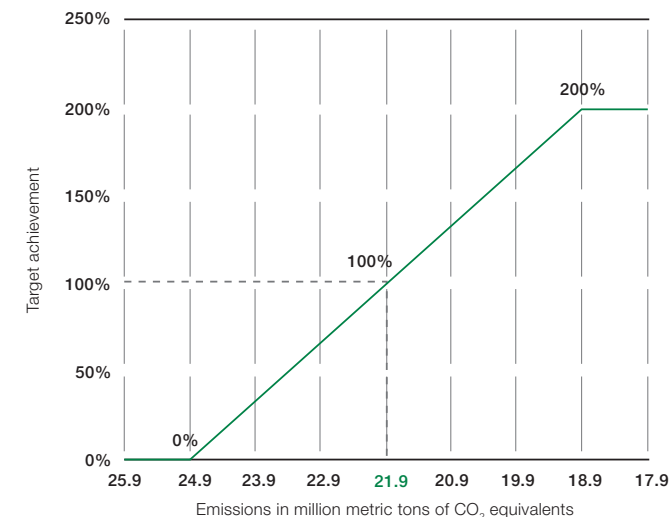
- The target is 100% achieved if BASF grows 0.1 percentage points faster than global chemical production (**target value**).
- If this target value is undercut by two percentage points or more, the target achievement is 0% (**minimum value**).
- If the target value is exceeded by two percentage points or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The target achievement for the entire performance period 2020–2023 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

**Strategic target 2: Increase EBITDA before special items by 3% to 5% per year**



- With an EBITDA before special items increase by 4% (i.e., in the middle of the communicated target corridor of 3% to 5%), the target achievement is 100% (**target value**).
- If EBITDA before special items increases by 7% or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The starting point for setting the four-year targets is the EBITDA before special items in the year before the start of the four-year performance period.
- The target achievement for the entire performance period 2020–2023 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

**Strategic target 3: Grow CO<sub>2</sub>-neutrally until 2030**



- With emissions of 21.9 million metric tons of CO<sub>2</sub> equivalents per year, the target achievement is 100% (**target value**).
- With emissions of 24.9 million metric tons of CO<sub>2</sub> equivalents per year or more, the target achievement is 0 (**minimum value**).
- With emissions of 18.9 million metric tons of CO<sub>2</sub> equivalents per year or less, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The target achievement for the entire performance period 2020–2023 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

### Share Ownership Guideline

For the duration of their mandate, members of the Board of Executive Directors are obligated to hold a defined number of shares in the company. The number of shares that must be held for a longer term is determined at the beginning of the Board of Executive Directors mandate (for current members of the Board of Executive Directors as of January 1, 2020) and generally corresponds to a value representing 150% of the member's annual gross fixed salary on that date. The conversion into a number of shares to be held is carried out using the average price of the BASF share in the fourth quarter of the year prior to the start of the first-time share ownership guideline.

The number of shares to be held rises accordingly with any increase in the amount of fixed salary. The share ownership obligation ends two years after the end of the mandate of the member of the Board of Executive Directors (post-mandate share ownership obligation). When members are first appointed to the Board of Executive Directors, they have until the end of the fourth calendar year following the initial appointment to fulfill this share ownership obligation (built-up phase). The built-up phase also applies for members of the Board of Executive Directors who were members as of January 1, 2020, regardless of when they were first appointed, with the stipulation that the share ownership obligation be fulfilled by December 31, 2023.

Members of the Board of Executive Directors must acquire the shares with after-tax net income. It was confirmed to the Supervisory Board that, taking into account the build-up phase, all members of the Board of Executive Directors held the required number of BASF shares or ADRs<sup>1</sup> as of December 31, 2020.

### Withholding and clawback clause

The withholding and clawback provisions remain unchanged for the STI and LTI. 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. In the years 2019 and 2020, no use was made of the possibility to claw back, reduce or cancel the not yet paid variable compensation.

<sup>1</sup> BASF ADRs (American Depositary Receipts); four BASF ADRs correspond to one BASF share.



### Maximum compensation

The total compensation is capped in accordance with the recommendation of the German Corporate Governance Code (GCGC). By establishing a maximum amount (cap) for the STI and the LTI, the

amount of both variable compensation components is limited. The maximum compensation levels based on the current target compensation for members of the Board of Executive Directors are presented in the following overview:

€	Member of the Board of Executive Directors		Vice chair of the Board of Executive Directors		Chair of the Board of Executive Directors	
	Target compensation	Maximum compensation	Target compensation	Maximum compensation	Target compensation	Maximum compensation
Fixed salary	800,000	800,000	1,064,000	1,064,000	1,600,000	1,600,000
Regularly provided fringe benefits	50,000	100,000 <sup>a</sup>	50,000	100,000 <sup>a</sup>	50,000	100,000 <sup>a</sup>
Company pension benefits	500,000	500,000	665,000	665,000	1,000,000	1,000,000
STI amount	1,000,000	2,000,000 <sup>b</sup>	1,330,000	2,660,000 <sup>b</sup>	2,000,000	4,000,000 <sup>b</sup>
LTI amount	1,400,000	2,800,000 <sup>b</sup>	1,862,000	3,724,000 <sup>b</sup>	2,800,000	5,600,000 <sup>b</sup>
<b>Total compensation 2020</b>	<b>3,750,000</b>	<b>6,200,000<sup>c</sup></b>	<b>4,971,000</b>	<b>8,213,000<sup>c</sup></b>	<b>7,450,000</b>	<b>12,300,000<sup>c</sup></b>

<sup>a</sup> This amount represents the maximum amount (200% of the target amount) in the fiscal year 2020 for regularly provided fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for a member of the Board of Executive Directors, €533,000 for the vice chair of the Board of Executive Directors and €600,000 for the chair of the Board of Executive Directors. For delegation-related fringe benefits, a maximum amount for a member of the Board of Executive Directors has been set at €3,000,000.

<sup>b</sup> Corresponds to 200% of the annual target amount

<sup>c</sup> From options rights granted in 2020 as a component of the 2019 compensation for the Board of Executive Directors, an additional maximum amount of €1,453,500 for a member of the Board of Executive Directors, €1,933,155 for the vice chair of the Board of Executive Directors and €2,907,000 for the chair of the Board of Executive Directors may be allocated.

The compensation for the Board of Executive Directors was last increased effective January 1, 2017. In the event that the Supervisory Board resolves to adjust the compensation amount prior to the next

scheduled say on pay on the compensation system by the Annual Shareholders' Meeting in 2024, the following maximum compensation amounts would not be exceeded:

€	Member of the Board of Executive Directors	Vice chair of the Board of Executive Directors	Chair of the Board of Executive Directors
Maximum compensation until next say on pay on the compensation system by the Annual Shareholders' Meeting	7,500,000 <sup>a</sup>	9,975,000 <sup>a</sup>	15,000,000 <sup>a</sup>

<sup>a</sup> This amount contains the maximum amount (200% of the target amount) for regular fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for a member of the Board of Executive Directors, €533,000 for the vice chair of the Board of Executive Directors and €600,000 for the chair of the Board of Executive Directors. For delegation-related fringe benefits, a maximum amount for a member of the Board of Executive Directors has been set at €3,000,000.

### BOP2020

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

#### LTI program BASF option program (BOP)

- The BASF option program was granted for the last time in 2020 and was replaced by the new LTI.
- 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 guideline: 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

By resolution of the Supervisory Board, the BASF option program (BOP) was replaced by the new LTI as of January 1, 2020. The BOP is based on the STI paid out for the previous year and can therefore be considered delayed compensation for the preceding fiscal year. It was therefore offered for the last time in 2020, based on the performance bonus for 2019.

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) for the previous year.

The members of the Board of Executive Directors are obligated to invest at least 10% of their individual performance bonus (gross) for the previous year 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) for the previous year, 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 2020 was €51.26 (2019: €68.21).

- 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.

[🔗 For more information on the LTI program, see page 149 and page 310](#)

### Provisions relating to the previous multi-year variable compensation components and to the previous pension plan

The still-running deferral components from the performance bonus 2018 (2018–2021) and 2019 (2019–2022) will be continued as planned and paid out in accordance with the terms of the previous program. To assess the strategic performance, the Supervisory Board will therefore determine a separate strategic performance factor (SPF) for each of the years 2020, 2021 and 2022. This SPF will serve exclusively to determine the average SPFs necessary for the deferral components of the performance bonus in accordance with the terms of the program.

The option rights granted under the previous BASF option program (BOP) and not yet exercised can continue to be exercised in accordance with the specified terms of the BOP for the Board of Executive Directors. Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The existing applicable minimum investment of 10% and the additional voluntary investment of up to 20% of the performance bonus (gross) for the previous year remain in effect unchanged. The option rights hereby granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019 and were granted in accordance with the previous program's terms as of July 1, 2020. Owing to the maximum program duration of eight years, exercise gains from the option program may be allocated to members of the Board of Executive Directors up until June 30, 2028, at the latest.

The pension entitlements acquired until December 31, 2019, under the previous pension benefits are maintained as vested rights and upon retirement, disability or death can be accessed by the member of the Board of Executive Directors or by the surviving dependents as a company pension or retirement capital in accordance with the previous rules.

### Targets and determination of target achievement for the variable compensation components 2020

#### Performance bonus (short-term incentive, STI) 2020

The STI is based on an annual target agreement between the Supervisory Board and the Board of Executive Directors as well as on the return on capital employed (ROCE). These targets are in line with the outlook for 2020 published in the forecast. The amount of the STI is calculated by multiplying the target amount by the performance factor derived from the target achievement and by the ROCE factor. If the ROCE is below the threshold of 4%, the compensation system stipulates that the Supervisory Board determines the ROCE factor by special resolution, either as zero or a value larger than zero. If the ROCE factor is zero, the STI would also be zero, regardless of the achievement of the agreed operational and strategic targets.

In the year 2020, BASF Group's ROCE was 1.7% and thus below the target of earning a premium on the cost of capital as well as below the threshold for the ROCE. The main reasons for this were the slowdown in business – particularly in the second quarter – and the negative impact on earnings resulting from impairments to fixed assets.

As required by the compensation system, the Supervisory Board determined an ROCE factor of 0.3 by special resolution. This corresponds to the value that would be achieved with an ROCE of 4% and equates to half the level of 2019. The following factors were relevant in this decision:

The economic conditions in 2020 developed in an unforeseeable and exceptional way due to the coronavirus pandemic. The Board of Executive Directors reacted quickly, energetically and effectively, ensured the protection of employees and steered BASF well through this difficult phase with a focus on costs and liquidity.

At the same time, the Board of Executive Directors demonstratively took on social responsibility by, for example, producing and donating disinfectant for clinics and doctors' offices and by procuring masks. The Supervisory Board wants to expressly recognize these achievements. Moreover, efforts to advance BASF's strategic further development were unabated. Finally, the operational and strategic targets were largely achieved. Despite the decline in earnings, based on the target agreement, the performance factor amounts to 0.95:

- The EBIT target was clearly missed.
- The free cash flow target was not reached.
- The targets from the Excellence Program were exceeded.
- A further improvement in customer and employee satisfaction was achieved.
- Sales of products that make a substantial contribution to sustainability (Accelerators) increased.
- The target for investments in growth focus areas was met.

– Synergies from acquisitions and joint ventures were above the target level.

Based on the defined parameters, the performance bonus for a full-year member of the Board of Executive Directors is calculated as shown below. In light of the exceptional circumstances and the achievements of the Board of Executive Directors in 2020, the Supervisory Board considers this bonus to be appropriate and fair. The Supervisory Board did not make use of the possibility, in very exceptional cases (such as a severe economic crisis), to temporarily deviate from the components of the compensation system for the Board of Executive Directors.

Target amount performance bonus, STI 2020:	×	ROCE factor 2020:	×	Performance factor 2020:	=	STI payout (gross):
€1,000,000		0.3		0.95		€285,000

### LTI target achievement for the performance year 2020

The rates of target achievement for the first year of the four-year performance period 2020–2023 of the 2020 LTI program were as follows:

#### Strategic targets for the LTI 2020 (2020–2023)

		Target/ benchmark 2020	Actual 2020	Target achievement in %
Grow sales volumes faster than global chemical production every year	(in %)	–0.4	–0.5	90 <sup>a</sup>
Increase EBITDA before special items by 3% to 5% per year	(in %)	4.0	–9.5 <sup>b</sup>	0
CO <sub>2</sub> -neutral growth, i.e., emissions no greater than 21.9 million metric tons CO <sub>2</sub> equivalents	(in million metric tons of CO <sub>2</sub> equivalents)	21.9	20.8	137
<b>Weighted target achievement</b>	<b>(in %)</b>			<b>76</b>

<sup>a</sup> In 2020, BASF's sales volumes (–0.5%) declined at a faster rate than global chemical production (–0.4% as of February 15, 2021). The target would have been 100% achieved if BASF's sales volumes had declined by 0.1 percentage points less than global chemical production.

<sup>b</sup> Based on the original baseline value for EBITDA before special items of €8,217 million for 2019

The degrees of target achievement determined for 2020 are fixed. At the end of the four-year performance period, they are added together to one arithmetic mean with the degrees of target achievement in the following years.

### SPF<sub>2020</sub> for the deferral components from the performance bonus programs 2018 and 2019

The still-running deferral components from the performance bonus 2018 (2018–2021) and 2019 (2019–2022) will be continued as planned in accordance with the terms of the previous program and will be paid out. To assess the strategic performance, the Supervisory Board will therefore determine a separate strategic performance factor (SPF) for each of the years 2020, 2021 and 2022. For the performance bonus 2018 (2018–2021) as well as the performance bonus 2019 (2019–2022), the Supervisory Board determined an SPF<sub>2020</sub> of 1.0.

### Comparison of the previous and new compensation systems for the Board of Executive Directors

The new compensation system for the Board of Executive Directors reduces complexity by discontinuing one component of the com-

pensation (performance bonus, part 2). The defined annual target amounts for the pension contribution and for the new LTI also increase transparency. This new system did not result in an increase compared with the average total target compensation for 2017–2019.

	Compensation system for the Board of Executive Directors until the end of 2019	New compensation system for the Board of Executive Directors as of 2020
Annual variable compensation	<p><b>Performance bonus</b></p> <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 fiscal year and the strategic performance factors (SPF) for the current and the following three fiscal years.</li> <li>– 50% paid out at the end of the current fiscal year and 50% after the end of the four-year performance period</li> </ul>	<p><b>Performance bonus, short-term incentive (STI)</b></p> <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>– A performance factor is assigned based on the assessment of the achievement of operational and strategic targets in the past fiscal year.</li> <li>– The actual STI amount is paid out following the Annual Shareholders' Meeting subsequent to the current fiscal year.</li> </ul>
Long-term incentive program (LTI)	<ul style="list-style-type: none"> <li>– Long-term, share price-based incentive program</li> <li>– Performance period of up to eight years</li> <li>– Mandatory individual investment of 10% of the performance bonus (gross); up to an additional 20% of the performance bonus (gross) can be invested on a voluntary basis</li> </ul>	<ul style="list-style-type: none"> <li>– Long-term compensation program in the form of a performance share plan</li> <li>– The new LTI plan incentivizes the achievement of strategic goals and takes into consideration the development of the BASF share and dividend (total shareholder return) over a period of four years.</li> <li>– New, longer-term mandatory share ownership guideline as a component of service contracts for members of the Board of Executive Directors stipulating a shareholding worth 150% of the member's fixed compensation</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 performance 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>	<ul style="list-style-type: none"> <li>– The previous company pension benefits granted to members of the Board of Executive Directors (Board Performance Pension, deferred compensation program and basic coverage under BASF Pensionskasse) are discontinued as of January 1, 2020.</li> <li>– Effective January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model.</li> <li>– The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution.</li> <li>– A members of the Board of Executive Directors has the option to instead choose a pension allowance for private retirement savings, which is then paid out in equal monthly installments.</li> </ul>
Withholding and clawback clause	<ul style="list-style-type: none"> <li>– Withholding and clawback clause for the performance bonus and the LTI program</li> </ul>	<ul style="list-style-type: none"> <li>– No change, withholding and clawback clause applies for the performance bonus (STI) and the LTI program</li> </ul>

### Amount of total compensation in reporting year 2020

The tables below, which are based on the sample tables in the German Corporate Governance Code in the version dated February 7, 2017 (GCGC 2017), show the granted and allocated compensation as well as service cost of each member of the Board of Executive Directors.

### Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)

The table "Compensation granted in accordance with the German Corporate Governance Code (GCGC) 2017" shows: fixed salary, fringe benefits, performance bonus, LTI programs measured at fair value as of the grant date and/or the target value and pension benefits. 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) 2017" 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 2017)

Thousand €

	Dr. Martin Brudermüller Chairman of the Board of Executive Directors				Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors				Saori Dubourg			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	1,600	1,600	1,600	1,600	1,064	1,064	1,064	1,064	800	800	800	800
Fringe benefits	60	56	56	700	69	62	62	633	356	494	494	600
Regularly provided fringe benefits	60	56	56	100	69	62	62	100	59	62	62	100
Event-related fringe benefits	–	–	–	600	–	–	–	533	297	432	432	500
Delegation-related fringe benefits <sup>a</sup>	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>1,660</b>	<b>1,656</b>	<b>1,656</b>	<b>2,300</b>	<b>1,133</b>	<b>1,126</b>	<b>1,126</b>	<b>1,697</b>	<b>1,156</b>	<b>1,294</b>	<b>1,294</b>	<b>1,400</b>
One-year variable compensation	1,600	2,000	0	4,000	1,064	1,330	0	2,660	800	1,000	0	2,000
50% of the 2019 performance bonus (2019–2022)	1,600	–	–	–	1,064	–	–	–	800	–	–	–
Short-term incentive 2020	–	2,000	0	4,000	–	1,330	0	2,660	–	1,000	0	2,000
Multiple-year variable compensation	2,346	3,348	0	8,507	1,577	2,226	0	5,657	1,001	1,674	0	4,254
50% of the 2019 performance bonus (2019–2022), deferral component	1,600	–	–	–	1,064	–	–	–	800	–	–	–
LTI program 2019 (2019–2027)	746	–	–	–	513	–	–	–	201	–	–	–
LTI program 2020 (2020–2028) <sup>b</sup>	–	548	0	2,907	–	364	0	1,933	–	274	0	1,454
LTI performance share plan 2020 (2020–2023)	–	2,800	0	5,600	–	1,862	0	3,724	–	1,400	0	2,800
<b>Total</b>	<b>5,606</b>	<b>7,004</b>	<b>1,656</b>	<b>14,807</b>	<b>3,774</b>	<b>4,682</b>	<b>1,126</b>	<b>10,014</b>	<b>2,957</b>	<b>3,968</b>	<b>1,294</b>	<b>7,654</b>
Company pension benefits	573	1,000	1,000	1,000	366	665	665	665	704	500	500	500
Service cost	573	–	–	–	366	–	–	–	704	–	–	–
Pension contribution / pension allowance	–	1,000	1,000	1,000	–	665	665	665	–	500	500	500
<b>Total compensation in accordance with GCGC 2017</b>	<b>6,179</b>	<b>8,004</b>	<b>2,656</b>	<b>15,807</b>	<b>4,140</b>	<b>5,347</b>	<b>1,791</b>	<b>10,679</b>	<b>3,661</b>	<b>4,468</b>	<b>1,794</b>	<b>8,154</b>
<b>Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17</b>												
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components)	–3,200	–	–	–	–2,128	–	–	–	–1,600	–	–	–
Less granted short-term incentive 2020	–	–2,000	–	–	–	–1,330	–	–	–	–1,000	–	–
Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023)	–	–69	–	–	–	–46	–	–	–	–34	–	–
Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020	–	–80	–	–	–	–53	–	–	–	–40	–	–
Plus allocated actual annual variable compensation (performance bonus, part 1)	969	–	–	–	644	–	–	–	485	–	–	–
Plus allocated actual annual variable compensation (short-term incentive 2020)	–	570	–	–	–	379	–	–	–	285	–	–
Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	–	–	–
Less service cost	–573	–	–	–	–366	–	–	–	–704	–	–	–
Less pension contribution / pension allowance	–	–1,000	–	–	–	–665	–	–	–	–500	–	–
<b>Total compensation</b>	<b>3,375</b>	<b>5,425</b>	–	–	<b>2,290</b>	<b>3,632</b>	–	–	<b>1,842</b>	<b>3,179</b>	–	–

<sup>a</sup> Figures only reported under 2020 (min.) / 2020 (max.) if delegation-related fringe benefits were granted in the year 2020.

<sup>b</sup> Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The option rights granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019.

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

<sup>d</sup> Wayne T. Smith opted for the pension allowance for private retirement savings.

### Compensation granted in accordance with the German Corporate Governance Code (GCGC 2017)

Thousand €

	Michael Heinz				Dr. Markus Kamieth				Wayne T. Smith			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	800	800	800	800	800	800 <sup>a</sup>	800 <sup>a</sup>	800 <sup>a</sup>	800 <sup>a</sup>	800 <sup>a</sup>	800 <sup>a</sup>	800 <sup>a</sup>
Fringe benefits	36	40	40	600	46	593	593	3,600	340	323	323	3,600
Regularly provided fringe benefits	36	40	40	100	46	36	36	100	28	19	19	100
Event-related fringe benefits	–	–	–	500	–	–	–	500	–	–	–	500
Delegation-related fringe benefits <sup>a</sup>	–	–	–	–	–	557	557	3,000	312	304	304	3,000
<b>Total</b>	<b>836</b>	<b>840</b>	<b>840</b>	<b>1,400</b>	<b>846</b>	<b>1,393</b>	<b>1,393</b>	<b>4,400</b>	<b>1,140</b>	<b>1,123</b>	<b>1,123</b>	<b>4,400</b>
One-year variable compensation	800	1,000	0	2,000	800	1,000	0	2,000	800	1,000	0	2,000
50% of the 2019 performance bonus (2019–2022)	800	–	–	–	800	–	–	–	800	–	–	–
Short-term incentive 2020	–	1,000	0	2,000	–	1,000	0	2,000	–	1,000	0	2,000
Multiple-year variable compensation	1,221	1,674	0	4,254	1,221	1,674	0	4,254	1,312	1,736	0	4,254
50% of the 2019 performance bonus (2019–2022), deferral component	800	–	–	–	800	–	–	–	800	–	–	–
LTI program 2019 (2019–2027)	421	–	–	–	421	–	–	–	512	–	–	–
LTI program 2020 (2020–2028) <sup>b</sup>	–	274	0	1,454	–	274	0	1,454	–	336	0	1,454
LTI performance share plan 2020 (2020–2023)	–	1,400	0	2,800	–	1,400	0	2,800	–	1,400	0	2,800
<b>Total</b>	<b>2,857</b>	<b>3,514</b>	<b>840</b>	<b>7,654</b>	<b>2,867</b>	<b>4,067</b>	<b>1,393</b>	<b>10,654</b>	<b>3,252</b>	<b>3,859</b>	<b>1,123</b>	<b>10,654</b>
Company pension benefits	387	500	500	500	699	500	500	500	491	500	500	500
Service cost	387	–	–	–	699	–	–	–	491	–	–	–
Pension contribution / pension allowance	–	500	500	500	–	500	500	500	–	500 <sup>d</sup>	500 <sup>d</sup>	500 <sup>d</sup>
<b>Total compensation in accordance with GCGC 2017</b>	<b>3,244</b>	<b>4,014</b>	<b>1,340</b>	<b>8,154</b>	<b>3,566</b>	<b>4,567</b>	<b>1,893</b>	<b>11,154</b>	<b>3,743</b>	<b>4,359</b>	<b>1,623</b>	<b>11,154</b>
<b>Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17</b>												
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral components)	–1,600	–	–	–	–1,600	–	–	–	–1,600	–	–	–
Less granted short-term incentive 2020	–	–1,000	–	–	–	–1,000	–	–	–	–1,000	–	–
Less difference between target amount and market value at grant date for LTI performance share plan 2020 (2020–2023)	–	–34	–	–	–	–34	–	–	–	–34	–	–
Less voluntary relinquishment of salary (20% of fixed salary) in second quarter of 2020	–	–40	–	–	–	–40	–	–	–	–40	–	–
Plus allocated actual annual variable compensation (performance bonus, part 1)	485	–	–	–	485	–	–	–	485	–	–	–
Plus allocated actual annual variable compensation (short-term incentive 2020)	–	285	–	–	–	285	–	–	–	285	–	–
Plus allocated multiple-year variable actual compensation LTI 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	431	–	–
Less service cost	–387	–	–	–	–699	–	–	–	–491	–	–	–
Less pension contribution / pension allowance	–	–500	–	–	–	–500	–	–	–	–500	–	–
<b>Total compensation</b>	<b>1,742</b>	<b>2,725</b>	–	–	<b>1,752</b>	<b>3,278</b>	–	–	<b>2,137</b>	<b>3,501</b>	–	–

<sup>a</sup> Figures only reported under 2020 (min.) / 2020 (max.) if delegation-related fringe benefits were granted in the year 2020.

<sup>b</sup> Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020, based on their performance bonus (gross) for the year 2019. The option rights granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019.

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

<sup>d</sup> Wayne T. Smith opted for the pension allowance for private retirement savings.

## Compensation allocated in accordance with the German Corporate Governance Code (GCGC 2017)

The "Compensation allocated in accordance with the German Corporate Governance Code (GCGC) 2017" presented comprises the fixed and variable compensation components actually allocated, plus the pension benefits granted to each member of the Board of Executive Directors in the reporting years (2020: pension contribution; 2019: service cost for previous pension plan) even though these do not actually represent payment in the narrower sense.

### Allocation in accordance with GCGC 2017

Thousand €

	Dr. Martin Bruder Müller Chairman of the Board of Executive Directors		Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors		Saori Dubourg		Michael Heinz		Dr. Markus Kamieth		Wayne T. Smith	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Fixed salary <sup>a</sup>	1,600	1,520	1,064	1,011	800	760	800	760	800	760 <sup>d</sup>	800 <sup>d</sup>	760 <sup>d</sup>
Fringe benefits	60	56	69	62	356	494	36	40	46	593	340	323
Regularly provided fringe benefits	60	56	69	62	59	62	36	40	46	36	28	19
Event-related fringe benefits	–	–	–	–	297	432	–	–	–	–	–	–
Delegation-related fringe benefits	–	–	–	–	–	–	–	–	–	557	312	304
<b>Total</b>	<b>1,660</b>	<b>1,576</b>	<b>1,133</b>	<b>1,073</b>	<b>1,156</b>	<b>1,254</b>	<b>836</b>	<b>800</b>	<b>846</b>	<b>1,353</b>	<b>1,140</b>	<b>1,083</b>
One-year variable compensation	969	570	644	379	485	285	485	285	485	285	485	285
Performance bonus 2019 (2019–2022), part 1 <sup>b</sup>	969	–	644	–	485	–	485	–	485	–	485	–
Short-term incentive 2020 <sup>c</sup>	–	570	–	379	–	285	–	285	–	285	–	285
Multiple-year variable compensation	–	–	–	–	–	–	–	–	–	–	–	431
LTI 2011 (2011–2019)	–	–	–	–	–	–	–	–	–	–	–	–
LTI 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	–	–	431 <sup>e</sup>
LTI 2013 (2013–2021)	–	–	–	–	–	–	–	–	–	–	–	–
LTI 2014 (2014–2022)	–	–	–	–	–	–	–	–	–	–	–	–
LTI 2015 (2015–2023)	–	–	–	–	–	–	–	–	–	–	–	–
LTI 2016 (2016–2024)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>2,629</b>	<b>2,146</b>	<b>1,777</b>	<b>1,452</b>	<b>1,641</b>	<b>1,539</b>	<b>1,321</b>	<b>1,085</b>	<b>1,331</b>	<b>1,638</b>	<b>1,625</b>	<b>1,799</b>
Company pension benefits	573	1,000	366	665	704	500	387	500	699	500	491	500
Service cost	573	–	366	–	704	–	387	–	699	–	491	–
Pension contribution / pension allowance	–	1,000	–	665	–	500	–	500	–	500	–	500 <sup>f</sup>
<b>Total compensation in accordance with GCGC 2017</b>	<b>3,202</b>	<b>3,146</b>	<b>2,143</b>	<b>2,117</b>	<b>2,345</b>	<b>2,039</b>	<b>1,708</b>	<b>1,585</b>	<b>2,030</b>	<b>2,138</b>	<b>2,116</b>	<b>2,299</b>

<sup>a</sup> The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed annual salary for the period from April 1 until June 30, 2020.

<sup>b</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>c</sup> The basis for the short-term incentive (STI) is the ROCE factor and the performance factor in year the STI is granted. 100% of the actual STI is paid out.

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

<sup>e</sup> In 2020, at the end of the regular term of the LTI program 2012, exercise gains that were realized in 2017 were allocated to Wayne T. Smith in accordance with the special conditions of the U.S. LTI program.

<sup>f</sup> Wayne T. Smith opted for the pension allowance for private retirement savings.



The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed salary for the period from April 1, 2020, until June 30, 2020.

The table below shows the options granted to the Board of Executive Directors on July 1 of both reporting years. Option rights under the BASF option program were granted for the last time in 2020.

#### Number of option rights granted

	2020	2019
Dr. Martin Brudermüller	45,368	44,024
Saori Dubourg	22,684	11,880
Dr. Hans-Ulrich Engel	30,168	30,268
Michael Heinz	22,684	24,880
Dr. Markus Kamieth	22,684	24,880
Wayne T. Smith	22,684	24,880
<b>Total</b>	<b>166,272</b>	<b>160,812<sup>a</sup></b>

<sup>a</sup> In the 2019 fiscal year, 24,880 option rights were granted to Sanjeev Gandhi, who left the Board of Executive Directors as of December 31, 2019.

In 2020, members of the Board of Executive Directors were for the first time granted Performance Share Units (PSUs) under the new LTI program. The following table shows the number of PSUs granted as of January 1.

#### Number of performance share units (PSUs) granted

	2020	2019
Dr. Martin Brudermüller	41,268	–
Saori Dubourg	20,634	–
Dr. Hans-Ulrich Engel	27,443	–
Michael Heinz	20,634	–
Dr. Markus Kamieth	20,634	–
Wayne T. Smith	20,634	–
<b>Total</b>	<b>151,247</b>	<b>–</b>

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

In 2020, the option rights granted resulted in an expense. This expense refers to the total of all option rights from the LTI programs 2012 to 2020 and is calculated as the difference in the fair value of the option rights on December 31, 2020, compared with the fair value on December 31, 2019, considering the option rights exercised and granted in 2020. 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 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 expenses in 2020: Dr. Martin Brudermüller: expense of €266 thousand (2019: expense of €464 thousand); Dr. Hans-Ulrich Engel: expense of €152 thousand (2019: expense of €339 thousand); Saori Dubourg: expense of €136 thousand (2019: expense of €66 thousand); Michael Heinz: expense of €172 thousand (2019: expense of €334 thousand); Dr. Markus Kamieth: expense of €203 thousand (2019: expense of €124 thousand); and Wayne T. Smith: expense of €914 thousand (2019: expense of €298 thousand).

In 2020, the performance share units granted as part of the new LTI resulted in an expense. This expense refers to the total of all performance share units from the LTI program 2020 and is calculated as the difference in the fair value of the performance share units on December 31, 2020, compared with the fair value on December 31, 2019. The fair value of the performance share units is based primarily on the expected development of the BASF share price and the dividend as well as assumptions relating to the expected weighted level of target achievement for the three strategic targets in the four-year performance period.

The expenses reported below are purely accounting figures that do not equate with the actual inflows from the LTI at the end of the four-year performance.

The performance share units granted to the members of the Board of Executive Directors resulted in the following expenses in 2020 (2019: not applicable): Dr. Martin Brudermüller: expense of €642 thousand; Dr. Hans-Ulrich Engel: expense of €427 thousand; Saori Dubourg: expense of €321 thousand; Michael Heinz: expense of €321 thousand; Dr. Markus Kamieth: expense of €321 thousand; Wayne T. Smith: expense of €909 thousand.

[For more information on the LTI program, see page 149 and from page 310 onward](#)

## Company pension benefits

The values for the company pension benefits granted to the members of the Board of Executive Directors in 2020 are shown individually in the tables "Compensation granted in accordance with GCGC 2017" and "Compensation allocated in accordance with GCGC 2017." Effective January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model. The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution. The pension entitlements acquired until December 31, 2019, under the previous company pension system are maintained as vested rights and upon retirement, disability or death can be accessed by the member of the Board of Executive Directors or by the surviving dependents as a company pension or retirement capital in accordance with the previous rules.

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 2020 (as of December 31 in each case).

### Present value of the defined benefit obligation

Thousand €	2020	2019
Dr. Martin Brudermüller	19,490	18,171
Saori Dubourg	6,611	6,983
Dr. Hans-Ulrich Engel	16,219	14,081
Michael Heinz	16,253	15,201
Dr. Markus Kamieth	7,100	5,797
Wayne T. Smith	6,417	6,251
<b>Total</b>	<b>72,090</b>	<b>66,484<sup>a</sup></b>

<sup>a</sup> In the 2019 fiscal year, the present value of the defined benefit obligation for the pension entitlements accrued until the end of 2019 by Sanjeev Gandhi, who left the Board of Executive Directors as of December 31, 2019, amounted to €4,824 thousand.

### 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 under the system in effect until 2019 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.

This rule no longer applies for any member who was appointed to the Board of Executive Directors after January 1, 2017.

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 fiscal year and, if

appropriate, also the expected total compensation for the current fiscal year.

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 following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of mandate as a one-off payment; however, this amount also may not exceed the value of two years' compensation. The outstanding pension contributions until the end of the regular contractual term of office shall be paid as a one-time gross payment.

### Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to €12.5 million in 2020 (2019: €11.5 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program, as well as the income for 2020 relating to option rights that previous members of the Board still hold from the time of their active service period. Moreover, this figure contains non-compete compensation paid to a former member of the Board of Executive Directors. The increase in total compensation resulted from two opposing effects: On the one hand, the fair value measurement of option rights resulted in income of €0.7 million overall in 2020, mainly due to the higher accounting valuation of the option rights due to the increased share price (2019: expense of €0.6 million). On the other hand, the inclusion of the non-compete compensation led to an expense of €2.0 million in 2020.

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.

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

Million €	2020	2019
Retirement and surviving dependents' pensions	11.2	10.9
Income/expense from the fair value measurement of option rights	-0.7	0.6
Non-compete compensation <sup>a</sup>	2.0	-
<b>Total</b>	<b>12.5</b>	<b>11.5</b>

<sup>a</sup> Sanjeev Gandhi stepped down from the Board of Executive Directors effective the end of December 31, 2019. Based on the termination agreement, non-compete compensation was agreed for a two-year, post-contractual non-compete obligation.

Pension provisions for previous Board members and their surviving dependents amounted to €209.0 million (2019: €198.2 million).

#### Compensation of Supervisory Board members

##### Compensation of Supervisory Board members

- Fixed salary: €200,000<sup>a</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>b</sup>; Audit Committee: €50,000<sup>b</sup>
- No additional compensation is paid for the Nomination Committee.
- Voluntary relinquishment of 20% of fixed compensation as of the second quarter of 2020.

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

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

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 in the version dated February 7, 2017.

The compensation of the Supervisory Board is regulated by the Statutes of BASF SE passed by the Annual Shareholders' Meeting.

Since 2017, the compensation of the Supervisory Board has been purely fixed compensation, supplemented by share acquisition and shareholding components. The obligation to purchase and hold shares is a variable compensation component with a long-term orientation which emphasizes the Supervisory Board's strategic support role.

#### Amount of Supervisory Board compensation

Each member of the Supervisory Board shall receive annually a fixed compensation of €200,000. In recognition of the increased demands on the chair, the compensation of the Supervisory Board of BASF follows the GCGC recommendation of function-related differentiation of the compensation of the chair, vice chair and members. The amount for the chair of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chair compared with the compensation of a member of the Supervisory Board. The members of the Supervisory Board each voluntarily relinquished 20% of their fixed compensation for the period from April 1, 2020, until December 31, 2020.

#### Amount of compensation for serving on a committee

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive an additional annual fixed compensation of €12,500. This also follows the GCGC recommendation that the increased workload of Supervisory Board members serving on committees should be appropriately taken into

account. For members of the Audit Committee, the further compensation shall be €50,000. The chair of a committee shall receive twice and a vice chair 1.5 times the further fixed compensation.

## Compensation of the Supervisory Board of BASF SE

Thousand €

	Fixed salary		Compensation for committee memberships		Total compensation	
	2020	2019	2020	2019	2020	2019
Dr. Jürgen Hambrecht, chair until June 18, 2020 <sup>a, b</sup>	225.0	500.0	25.0	50.0	250.0	550.0
Dr. Kurt Bock, chair since June 18, 2020 <sup>c, d</sup>	233.3	–	29.2	–	262.5	–
Michael Diekmann, vice chair until May 3, 2019 <sup>e</sup>	–	125.0	–	13.0	–	138.0
Franz Fehrenbach, vice chair since May 3, 2019 <sup>f, g</sup>	255.0	266.7	33.3	66.6	288.3	333.3
Sinischa Horvat, vice chair <sup>h</sup>	255.0	300.0	25.0	25.0	280.0	325.0
Prof. Dr. Thomas Carell, Supervisory Board member since May 3, 2019	170.0	133.3	–	–	170.0	133.3
Dame Alison Carnwath DBE <sup>i</sup>	170.0	200.0	112.5	112.5	282.5	312.5
Prof. Dr. François Diederich, Supervisory Board member until May 3, 2019	–	83.3	–	–	–	83.3
Tatjana Diether <sup>j</sup>	170.0	200.0	50.0	50.0	220.0	250.0
Waldemar Helber <sup>k</sup>	170.0	200.0	12.5	12.5	182.5	212.5
Dr. Alexander C. Karp, Supervisory Board member from May 3, 2019, until July 22, 2020	103.3	133.3	–	–	103.3	133.3
Anke Schäferkordt <sup>l</sup>	170.0	200.0	41.7	–	211.7	200.0
Denise Schellemans	170.0	200.0	–	–	170.0	200.0
Liming Chen, Supervisory Board member since October 8, 2020	40.0	–	–	–	40.0	–
Roland Strasser	170.0	200.0	–	–	170.0	200.0
Michael Vassiliadis <sup>h, l</sup>	170.0	200.0	75.0	75.0	245.0	275.0
<b>Total</b>	<b>2,471.6</b>	<b>2,941.6</b>	<b>404.2</b>	<b>404.6</b>	<b>2,875.8</b>	<b>3,346.2</b>

<sup>a</sup> Chair of the Personnel Committee until June 18, 2020

<sup>b</sup> Chair of the Strategy Committee until June 18, 2020

<sup>c</sup> Chair of the Personnel Committee since June 18, 2020

<sup>d</sup> Chair of the Strategy Committee since June 18, 2020

<sup>e</sup> Member of the Personnel Committee and vice chair of the Strategy Committee until May 3, 2019

<sup>f</sup> Member of the Personnel and Strategy Committees since May 3, 2019

<sup>g</sup> Member of the Audit Committee until February 29, 2020

<sup>h</sup> Member of the Personnel and Strategy Committees

<sup>i</sup> Chair of the Audit Committee and member of the Strategy Committee

<sup>j</sup> Member of the Audit Committee

<sup>k</sup> Member of the Strategy Committee

<sup>l</sup> Member of the Audit Committee since March 1, 2020

## Share purchase and shareholding obligation for members of the Supervisory Board

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 2020 was around €2.9 million (2019: around €3.3 million). The compensation of the individual Supervisory Board members is listed in the table on the left.

Compensation for membership on the Supervisory Board and its committees, provided it is not withheld for the purpose of acquiring shares, is due after the conclusion of the fiscal year for which the compensation is paid. Beyond the compensation in accordance with the Statutes presented in the table "Compensation of the Supervisory Board of BASF SE," no Supervisory Board members received any compensation in 2020 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 175](#)