

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 Disclosure of Management Board Remuneration (*Vorstandsvergütungs-Offenlegungsgesetz*) as well as the German Act on the Appropriateness of Management Board Remuneration (*Gesetz zur Angemessenheit der Vorstandsvergütung*), and is aligned with the recommendations of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

Compensation of the Board of Executive Directors

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

The amount and structure of compensation is determined by the company's size, complexity and financial position, as well as the performance of the Board of Executive Directors and promotes the company's sustainable development. Internal and external 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 is considered in total as well as over time, especially for senior executives.

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 is below that of the peer group. On this basis, the Supervisory Board resolved to increase the compensation of the Board of Executive Directors for the first time since January 1, 2014, effective 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.

For more information on the Supervisory Board and its committees, see page 139 and from page 154 onward

Overview of compensation

Fixed salary	Annual amount: €800,000 ¹ Payment: in equal installments
Annual variable compensation	Annual target: €1,600,000 ¹ Cap: €2,500,000 ¹ Payment: after the Annual Shareholders' Meeting for the prior business year
Long-term, share price-based incentive program (LTI program)	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 ^{1,2} Payment: in a period of 4–8 years after the grant date, depending on individual exercise date
Fringe benefits	Annual amount corresponds to value of nonmonetary compensation
Company pension benefits	Annual service cost is the accounting figure for the pension entitlements accrued in the relevant business year

¹ 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.

² To reach the cap, a Board member must make the maximum individual investment based on the maximum annual variable compensation and the set limit on the gain from exercising the options granted must be reached.

Principles and structure

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

Compensation components

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

Individual compensation components

1. Fixed salary

The fixed salary is a set amount of yearly compensation paid out in equal installments. The fixed salary was increased effective January 1, 2017 for the first time since January 1, 2014. The annual fixed salary for an ordinary member of the Board of Executive Directors is €800,000, compared with €650,000 in the three years prior. 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.

2. Annual variable compensation

Annual variable compensation

- Actual annual variable compensation is based on the achievement of set targets and the company's success
- Agreement of short-term operational targets and medium- and long-term strategic goals
- Evaluation of target achievement in the current and previous two business years and definition of a performance factor of between 0 and 1.5
- Key performance indicator for the success of the BASF Group: return on assets

The amount of the actual annual variable compensation is based on the performance of the Board of Executive Directors as a whole and the BASF Group's return on assets adjusted for special effects. In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the entire Board of Executive Directors that primarily contains medium- and long-term goals.

The Supervisory Board assesses target achievement in the current and the previous two years. 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. The return on assets is also used to determine the variable compensation for all other employee groups. The annual variable target compensation for a target return on assets for the Board of Executive Directors of 10% and a target achievement of 100% is double the fixed salary.

Annual variable compensation is defined for each relevant return on assets value. It declines at a faster rate if the return on assets is lower than 8% and increases at a slower rate if the return on assets is higher than 12%. The relevant return on assets for 2017 is 10.6% (2016: 7.7%).

The actual amount is calculated by multiplying the amount of annual variable compensation for the relevant return on assets by the average of the performance factor for the current and the previous two years. The actual annual variable compensation for the business year under review is payable after the Annual Shareholders' Meeting.

A cap of €2,500,000 was defined for the actual annual variable compensation. 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.

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

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
- Holding obligation: mandatory individual investment in BASF shares with a holding obligation of 10% of the actual annual variable compensation, plus up to an additional 20% of the actual annual variable compensation on a voluntary basis
- 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. Members of the Board of Executive Directors are subject to a stricter set of rules than are contained in the general program conditions: for instance, they are required to participate in the program with at least 10% of their actual annual variable compensation. This mandatory investment consisting of BASF shares is subject to a holding period of four years (share ownership obligation). For any additional voluntary investment of up to 20% of the actual annual variable compensation, the general holding period of two years applies. Members of the Board of Executive Directors may exercise their options four years after they have been granted at the earliest (vesting period). Each member of the Board of Executive Directors may decide individually on the timing and scope of the exercise of options within the four-year exercise period following the vesting period. From the 2013 LTI program onward, the maximum exercise gain is capped at five times the original individual investment. For programs from previous years, the maximum exercise gain is capped at 10 times the original individual investment. 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 134

For more information on the LTI program, see page 46 and from page 231 onward

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

Fringe benefits include delegation allowances, accident insurance premiums, transportation and benefits from the provision of security measures by the company. The members of the Board of Executive Directors did not receive loans or advances from the company in 2017.

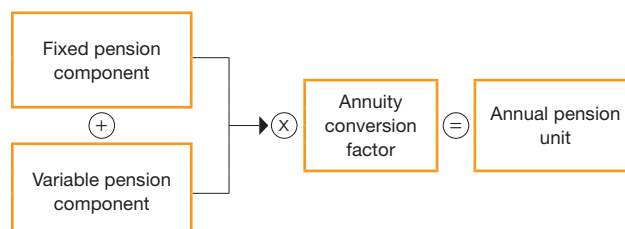
The members of the Board of Executive Directors are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company. This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 of the German Stock 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 depend 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 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 (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) based on an actuarial interest rate (5%), the probability of death, invalidity and bereavement according to Heubeck Richttafeln, 2005G (modified) and an assumed pension increase (at least 1% 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.

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.

Amount of total compensation

The tables on pages 144 to 147 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.

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, 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. Kurt Bock				Dr. Martin Brudermüller			
	Chairman of the Board of Executive Directors				Vice Chairman of the Board of Executive Directors			
	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)
Fixed salary	1,300	1,600	1,600	1,600	865	1,064	1,064	1,064
Fringe benefits	68	84	84	84	239 ¹	46	46	46
Total	1,368	1,684	1,684	1,684	1,104	1,110	1,110	1,110
Annual variable target compensation	2,600	3,200	0	5,000	1,729	2,128	0	3,325
Multiple-year variable compensation	844	726	0	3,092	561	483	0	2,056
LTI program 2016 (2016–2024)	844	–	–	–	561	–	–	–
LTI program 2017 (2017–2025)	–	726	0	3,092	–	483	0	2,056
Total	4,812	5,610	1,684	9,776	3,394	3,721	1,110	6,491
Service cost	537	1,142	1,142	1,142	471	1,001	1,001	1,001
Total compensation in accordance with GCGC	5,349	6,752	2,826	10,918	3,865	4,722	2,111	7,492
Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17								
less granted annual variable target compensation	(2,600)	(3,200)			(1,729)	(2,128)		
plus allocated actual annual variable compensation	2,061	3,629			1,371	2,414		
less service cost	(537)	(1,142)			(471)	(1,001)		
Total compensation	4,273	6,039			3,036	4,007		
	Michael Heinz				Dr. Markus Kamieth			
					(since May 12, 2017)			
	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)
Fixed salary	650	800	800	800	–	507	507	507
Fringe benefits	84	33	33	33	–	27	27	27
Total	734	833	833	833	–	534	534	534
Annual variable target compensation	1,300	1,600	0	2,500	–	1,019	0	1,593
Multiple-year variable compensation	422	363	0	1,546	–	182	0	775
LTI program 2016 (2016–2024)	422	–	–	–	–	–	–	–
LTI program 2017 (2017–2025)	–	363	0	1,546	–	182	0	775
Total	2,456	2,796	833	4,879	–	1,735	534	2,902
Service cost	373	816	816	816	–	791	791	791
Total compensation in accordance with GCGC	2,829	3,612	1,649	5,695	–	2,526	1,325	3,693
Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17								
less granted annual variable target compensation	(1,300)	(1,600)			–	(1,019)		
plus allocated actual annual variable compensation	1,031	1,815			–	1,156		
less service cost	(373)	(816)			–	(791)		
Total compensation	2,187	3,011			–	1,872		

¹ Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

Saori Dubourg				Dr. Hans-Ulrich Engel				Sanjeev Gandhi			
(since May 12, 2017)											
2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)
–	507	507	507	650	800	800	800	455 ¹	538 ¹	538 ¹	538 ¹
–	37	37	37	92	59	59	59	978 ²	2,079 ^{2,3}	2,079 ^{2,3}	2,079 ^{2,3}
–	544	544	544	742	859	859	859	1,433	2,617	2,617	2,617
–	1,019	0	1,593	1,300	1,600	0	2,500	1,300	1,600	0	2,500
–	53	0	224	422	363	0	1,546	422	121	0	515
–	–	–	–	422	–	–	–	422	–	–	–
–	53	0	224	–	363	0	1,546	–	121	0	515
–	1,616	544	2,361	2,464	2,822	859	4,905	3,155	4,338	2,617	5,632
–	796	796	796	363	697	697	697	445	957	957	957
–	2,412	1,340	3,157	2,827	3,519	1,556	5,602	3,600	5,295	3,574	6,589
–											
–	(1,019)			(1,300)	(1,600)			(1,300)	(1,600)		
–	1,156			1,031	1,815			1,031	1,815		
–	(796)			(363)	(697)			(445)	(957)		
–	1,753			2,195	3,037			2,886	4,553		
Dr. Harald Schwager				Wayne T. Smith				Margret Suckale			
(until May 12, 2017)								(until May 12, 2017)			
2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)
650	296	296	296	828 ¹	955 ¹	955 ¹	955 ¹	650	296	296	296
83	25	25	25	106 ²	71 ²	71 ²	71 ²	58	17	17	17
733	321	321	321	934	1,026	1,026	1,026	708	313	313	313
1,300	585	0	914	1,300	1,600	0	2,500	1,300	585	0	914
422	314	0	1,338	517	431	0	1,546	422	314	0	1,338
422	–	–	–	517	–	–	–	422	–	–	–
–	314	0	1,338	–	431	0	1,546	–	314	0	1,338
2,455	1,220	321	2,573	2,751	3,057	1,026	5,072	2,430	1,212	313	2,565
359	277	277	277	445	844	844	844	309	135	135	135
2,814	1,497	598	2,850	3,196	3,901	1,870	5,916	2,739	1,347	448	2,700
–											
–											
(1,300)	(585)			(1,300)	(1,600)			(1,300)	(585)		
1,031	663			1,031	1,815			1,031	663		
(359)	(277)			(445)	(844)			(309)	(135)		
2,186	1,298			2,482	3,272			2,161	1,290		

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

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

³ Fringe benefits include the payment of additional taxes for 2017 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

	2017	2016
Dr. Kurt Bock	28,156	35,108
Dr. Martin Bruder Müller	18,724	23,344
Saori Dubourg (since May 12, 2017) ¹	2,040	–
Dr. Hans-Ulrich Engel	14,076	17,552
Sanjeev Gandhi	4,692	17,552
Michael Heinz	14,076	17,552
Dr. Markus Kamieth (since May 12, 2017) ¹	7,060	–
Dr. Harald Schwager (until May 12, 2017)	12,188	17,552
Wayne T. Smith	14,076	17,552
Margret Suckale (until May 12, 2017)	12,188	17,552
Total	127,276	163,764

¹ Saori Dubourg and Dr. Markus Kamieth were not yet members of the Board of Executive Directors as of the reporting date for the LTI program 2016 (July 1, 2016).

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 2016 and 2017 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. Kurt Bock Chairman of the Board of Executive Directors		Dr. Martin Bruder Müller Vice Chairman of the Board of Executive Directors		Saori Dubourg (since May 12, 2017)		Dr. Hans-Ulrich Engel	
	2017	2016	2017	2016	2017	2016	2017	2016
Fixed salary	1,600	1,300	1,064	865	507	–	800	650
Fringe benefits	84	68	46	239 ²	37	–	59	92
Total	1,684	1,368	1,110	1,104	544	–	859	742
Actual annual variable compensation ¹	3,629	2,061	2,414	1,371	1,156	–	1,815	1,031
Multiple-year variable compensation	4,504 ³	4,386 ⁴	–	1,657	–	–	4,037 ³	–
LTI program 2008 (2008–2016)	–	4,386 ⁴	–	–	–	–	–	–
LTI program 2009 (2009–2017)	4,504 ³	–	–	–	–	–	4,037 ³	–
LTI program 2010 (2010–2018)	–	–	–	1,657	–	–	–	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–
Total	9,817	7,815	3,524	4,132	1,700	–	6,711	1,773
Service cost	1,142	537	1,001	471	796	–	697	363
Total compensation in accordance with GCGC	10,959	8,352	4,525	4,603	2,496	–	7,408	2,136

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

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

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

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

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

	Sanjeev Gandhi		Michael Heinz		Dr. Markus Kamieth (since May 12, 2017)		Dr. Harald Schwager (until May 12, 2017)	
	2017	2016	2017	2016	2017	2016	2017	2016
Fixed salary	538 ²	455 ²	800	650	507	–	296	650
Fringe benefits	2,079 ^{3,4}	978 ³	33	84	27	–	25	83
Total	2,617	1,433	833	734	534	–	321	733
Actual annual variable compensation ¹	1,815	1,031	1,815	1,031	1,156	–	663	1,031
Multiple-year variable compensation	–	–	–	–	–	–	–	1,569
LTI program 2008 (2008–2016)	–	–	–	–	–	–	–	–
LTI program 2009 (2009–2017)	–	–	–	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	–	–	–	–	–	1,569
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–
Total	4,432	2,464	2,648	1,765	1,690	–	984	3,333
Service cost	957	445	816	373	791	–	277	359
Total compensation in accordance with GCGC	5,389	2,909	3,464	2,138	2,481	–	1,261	3,692

	Wayne T. Smith		Margret Suckale (until May 12, 2017)	
	2017	2016	2017	2016
Fixed salary	955 ²	828 ²	296	650
Fringe benefits	71 ³	106 ³	17	58
Total	1,026	934	313	708
Actual annual variable compensation ¹	1,815	1,031	663	1,031
Multiple-year variable compensation	–	798 ⁵	–	527
LTI program 2008 (2008–2016)	–	798 ⁵	–	–
LTI program 2009 (2009–2017)	–	–	–	–
LTI program 2010 (2010–2018)	–	–	–	527
LTI program 2011 (2011–2019)	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–
Total	2,841	2,763	976	2,266
Service cost	844	445	135	309
Total compensation in accordance with GCGC	3,685	3,208	1,111	2,575

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

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

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

⁴ Fringe benefits include the assumption of additional taxes for 2017 and tax back payments for previous years arising in connection with transfers.

⁵ At the end of the regular term of the LTI program 2008, exercise gains that were realized in 2012 or 2010 were allocated to Dr. Kurt Bock and Wayne T. Smith in 2016 in accordance with the special conditions of the U.S. LTI program.

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

In 2017, 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 2009 to 2017 and is calculated as the difference in the fair value of the option rights on December 31, 2017, compared with the fair value on December 31, 2016, considering the option rights exercised and granted in 2017. 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 2017: Dr. Kurt Bock: expense of €542 thousand (2016: expense of €5,000 thousand); Dr. Martin Bruder Müller: income of €604 thousand (2016: expense of €4,052 thousand); Saori Dubourg: expense of €8 thousand; Dr. Hans-Ulrich Engel: income of €1,300 thousand (2016: expense of €4,011 thousand); Sanjeev Gandhi: expense of €178 thousand (2016: expense of €156 thousand); Michael Heinz: income of €226 thousand (2016: expense of €2,423 thousand); Dr. Markus Kamieth: expense of €26 thousand; Wayne T. Smith: income of €35 thousand (2016: expense of €1,872 thousand).

The income resulting from the accounting valuation of the options granted to Dr. Harald Schwager and Margret Suckale, former members of the Board of Executive Directors who stepped down in 2017, are 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 46 and from page 231 onward

Pension benefits

The values for service cost incurred in 2017 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 defined benefit obligations up to and including 2017 amounted to €20,313 thousand for Dr. Kurt Bock (2016: €18,931 thousand), €17,248 thousand for Dr. Martin Bruder Müller (2016: €15,929 thousand), €3,665 thousand for Saori Dubourg, €11,811 thousand for Dr. Hans-Ulrich Engel (2016: €10,968 thousand), €3,598 thousand for Sanjeev Gandhi (2016: €2,409 thousand), €11,411 thousand for Michael Heinz (2016: €10,229 thousand), €2,739 thousand for Dr. Markus Kamieth, €11,462 thousand for Dr. Harald Schwager (2016: €11,096 thousand), €4,165 thousand for Wayne T. Smith (2016: €3,210 thousand) and €4,479 thousand for Margret Suckale (2016: €4,315 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 if they have served on the Board for at least 10 years or if the time needed to reach legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other work done 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 following 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 program. 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.

Further development of the compensation system for the Board of Executive Directors

Changes to variable compensation and pension benefits

In its meeting in December 2017, the Supervisory Board resolved to further develop the compensation system for the Board of Executive Directors and, from 2018 onward, replace the annual variable compensation granted to date with a performance bonus with a multiple-year, forward-looking assessment basis in accordance with the amended recommendations on variable compensation in the German Corporate Governance Code (GCGC) in the version dated February 7, 2017. In addition, a clawback clause will be introduced for the variable compensation components.

From the 2018 business year onward, the return on assets will be replaced by the return on capital employed (ROCE) as the key performance indicator on which the variable compensation of all employee groups is based.

In the future, under the Board Performance Pension, members of the Board of Executive Directors will be able to choose between payment of their pension entitlements in the form of a lifelong pension or a lump sum.

For members first appointed to the Board of Executive Directors after January 1, 2018, the pensionable age will be increased from 60 to 63 years, as for the members first appointed to the Board of Executive Directors in 2017.

The revised compensation system for the Board of Executive Directors will be submitted to the Annual Shareholders' Meeting on May 4, 2018 for approval. A detailed description will be published when the Annual Shareholders' Meeting is convened.

Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to €5.7 million in 2017 (2016: €15.9 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program and the expense or income for 2017 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 €4.4 million in 2017 (2016: expense of €6.4 million).

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 €144.3 million (2016: €150.4 million).

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary: €200,000¹
- 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: €12,500²; Audit Committee: €50,000²; Nomination Committee: no additional compensation

¹ 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.

² 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.

A clause on the compensation of the Supervisory Board was added to Article 14 of the company's Statutes by way of a resolution of the Annual Shareholders' Meeting on May 4, 2006. This provided for an annual fixed salary of €60,000 for each ordinary member of the Supervisory Board and performance-based variable compensation based on earnings per share (EPS) in the business year concerned in the period up to and including 2016. The performance-based variable compensation was capped at €120,000.

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the compensation system for the Supervisory Board in accordance with Article 14 of the Statutes was changed to a fixed salary only plus share purchase and share holding components from the 2017 business year onward. An attendance fee is no longer granted.

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 2017 was around €3.3 million (2016: around €3 million). The compensation of the individual Supervisory Board members was as follows.

Compensation of the Supervisory Board of BASF SE (thousand €)

	Fixed salary		Performance-related variable compensation		Compensation for committee memberships		Total compensation	
	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Jürgen Hambrecht, Chairman ^{1,5}	500.0	150.0	–	300.0	50.0	25.0	550.0	475.0
Michael Diekmann, Vice Chairman ^{2,6}	300.0	90.0	–	180.0	31.3	12.5	331.3	282.5
Robert Oswald, Vice Chairman until May 12, 2017 ^{2,7}	125.0	90.0	–	180.0	10.4	12.5	135.4	282.5
Sinitscha Horvat, Vice Chairman since May 12, 2017 ^{2,7}	200.0	–	–	–	16.7	–	216.7	–
Ralf-Gerd Bastian ^{4,7}	200.0	60.0	–	120.0	58.3	50.0	258.3	230.0
Dame Alison Carnwath DBE ^{3,7}	200.0	60.0	–	120.0	112.5	100.0	312.5	280.0
Wolfgang Daniel, Supervisory Board member until April 29, 2016	–	20.0	–	40.0	–	–	–	60.0
Prof. Dr. François Diederich	200.0	60.0	–	120.0	–	–	200.0	180.0
Franz Fehrenbach ⁴	200.0	60.0	–	120.0	50.0	50.0	250.0	230.0
Francesco Grioli	200.0	60.0	–	120.0	–	–	200.0	180.0
Waldemar Helber, Supervisory Board member since April 29, 2016	200.0	45.0	–	90.0	–	–	200.0	135.0
Anke Schäferkordt	200.0	60.0	–	120.0	–	–	200.0	180.0
Denise Schellemans	200.0	60.0	–	120.0	–	–	200.0	180.0
Michael Vassiliadis ^{2,4,7}	200.0	60.0	–	120.0	75.0	62.5	275.0	242.5
Total	2,925.0	875.0	–	1,750.0	404.2	312.5	3,329.2	2,937.5

¹ Chairman of the Personnel Committee² Member of the Personnel Committee³ Chairman of the Audit Committee⁴ Member of the Audit Committee⁵ Chairman of the Strategy Committee⁶ Vice Chairman of the Strategy Committee⁷ Member of the Strategy Committee

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders' Meeting, which approves the Consolidated Financial Statements for the business year. Accordingly, compensation relating to the year 2017 will be paid following the Annual Shareholders' Meeting on May 4, 2018.

In 2017, as in 2016, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF 38,400 (2017: approximately €34,500; 2016: approximately

€35,200) 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 2017 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 134