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Corporate governance report

Board of Executive Directors

Manages company and represents BASF SE in business with third parties

Supervisory Board

Appoints, monitors and advises Board of Executive Directors

Shareholders

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

Corporate governance refers to the entire system for managing and supervising a company. This includes its organization, values, corporate principles and guidelines as well as internal and external control and monitoring mechanisms. Effective and transparent corporate governance guarantees that BASF is directed and monitored in a responsible manner focused on value creation. It fosters the confidence of our domestic and international investors, the financial markets, our customers and other business partners, employees, and the public in BASF.

The fundamental elements of BASF SE's corporate governance system are: its two-tier system, with a transparent and effective separation of company management and supervision between BASF's Board of Executive Directors and the Supervisory Board; the equal representation of shareholders and employees on the Supervisory Board; and the shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting.

Direction and management by the Board of Executive Directors

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

The Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board, which monitors the activity of the Board of Executive Directors and decides on its composition. A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board. As the central duty of company management, the Board of Executive Directors agrees on the corporate goals and strategic direction of the BASF Group as well as its individual business areas; determines the company's internal organization; and decides on the composition of management on the levels below the Board. It also manages and monitors BASF Group business by planning and setting the corporate budget, allocating resources and management capacities, monitoring and making decisions on significant individual measures, and supervising operational management.

The Board's actions and decisions are geared toward the company's best interests. It is committed to the goal of sustainably increasing the company's value. Among the Board's responsibilities is the preparation of the Consolidated and Separate Financial Statements of BASF SE and reporting on the company's financial and nonfinancial performance. Furthermore, it must ensure that the company's activities comply with the applicable legislation and regulatory requirements, as well as internal corporate directives. This includes the establishment of appropriate systems for control, compliance and risk management as well as establishing a company-wide compliance culture with undisputed standards.

Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made at regularly held Board meetings called by the Chairman of the Board of Executive Directors. Board decisions are based on detailed information and analyses provided by the business areas and specialist units, and, if deemed necessary, by external consultants. Board decisions can generally be made via a simple majority. In the case of a tied vote, the casting vote is given by the Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors. Members of the Board of Executive Directors are authorized to make decisions individually in their assigned areas of responsibility.

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

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company's strategic orientation with the Supervisory Board.

Two-tier management system of BASF SE

Board of Executive Directors



8 members

appointed by the Supervisory Board

Chairman

appointed by the Supervisory Board

Supervisory Board



12 members

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

Chairman

elected by the Supervisory Board



The Statutes of BASF SE define certain transactions that require the Board of Executive Directors to obtain the Supervisory Board's approval prior to their conclusion. Such cases include the acquisition and disposal of enterprises and parts of enterprises, as well as the issue of bonds or comparable financial instruments. However, this is only necessary if the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last approved Consolidated Financial Statements of the BASF Group.

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

The members of the Board of Executive Directors, including their areas of responsibility and memberships on the supervisory bodies of other companies, are listed on page 137. Compensation of the Board of Executive Directors is described in detail in the Compensation report from page 140 onward.

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

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

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

- Early identification of suitable candidates of different professional backgrounds, nationalities and genders
- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions

- Desire to shape strategic and operational decisions, and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting our corporate values into practice

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

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

The number of Board members is based on the insights gained by BASF as a company with an integrated leadership culture and is determined by the needs arising from cooperation within the Board of Executive Directors. The Board of Executive Directors currently comprises eight members.¹ The standard age limit for members of the Board of Executive Directors is 63.

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

¹ In May 2018, this will be reduced from eight to seven members in the course of the changes to the composition of the Board of Executive Directors.

Supervision of company management by the Supervisory Board

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

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

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

The Supervisory Board of BASF SE comprises 12 members. Six members are elected to a five-year term each by the shareholders at the Annual Shareholders' Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group.

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

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

BASF SE's Supervisory Board has established a total of four Supervisory Board Committees: the Personnel Commit-

tee, the Audit Committee, the Nomination Committee and the Strategy Committee.

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

A list of the members of the Supervisory Board of BASF SE indicating which members are shareholder or employee representatives and their appointments to the supervisory bodies of other companies can be found on page 139

The compensation of the Supervisory Board is described in the Compensation report from page 150 onward

Personnel Committee

Members:

Dr. Jürgen Hambrecht (chairman), Michael Diekmann, Sinischa Horvat (since May 12, 2017), Robert Oswald (until May 12, 2017), Michael Vassiliadis

Duties:

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

Audit Committee

Members:

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

Duties:

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports including the nonfinancial statements and discusses the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication
- Deals with monitoring the financial reporting process, the annual audit, the effectiveness of the internal control system, the risk management system, and the internal auditing system as well as compliance issues
- Is responsible for business relations with the company's external auditor: prepares the Supervisory Board's proposal to the Annual Shareholders' Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the focus areas of the audit together with the auditor, negotiates auditing fees and establishes the conditions for the provision of the auditor's nonaudit services

- Is authorized to request any information that it deems necessary from the auditor or Board of Executive Directors; can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections

Financial Experts:

Dame Alison Carnwath DBE and Franz Fehrenbach are members with special knowledge of, and experience in, applying accounting and reporting standards and internal control methods pursuant to the German Corporate Governance Code (GCGC).

Nomination Committee

Members:

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

Duties:

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

Strategy Committee

Members:

Dr. Jürgen Hambrecht (chairman), Ralf-Gerd Bastian (since May 12, 2017), Dame Alison Carnwath DBE, Michael Diekmann, Sinischa Horvat (since May 12, 2017), Robert Oswald (until May 12, 2017), Michael Vassiliadis

Duties:

- Handles the further development of the company's strategy
- Prepares resolutions of the Supervisory Board on the company's major acquisitions and divestitures

Meetings and meeting attendance

In the 2017 business year, meetings were held as follows:

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

With the exception of one Supervisory Board meeting, two Audit Committee meetings, one Strategy Committee meeting

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

For more information on the Supervisory Board's activities and resolutions in the 2017 business year, see the Report of the Supervisory Board on page 152 onward

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

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

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

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

Competence profile

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

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

Diversity concept

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

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

Further composition objectives

- **Character and integrity:** All members of the Supervisory Board must be personally reliable and have the knowledge and experience required to diligently and independently perform the work of a supervisory board member.
- **Availability:** Each member of the Supervisory Board ensures that they invest the time needed to properly perform their role as a member of the Supervisory Board of BASF SE. The statutory limits on appointments to governing bodies and the recommendations of the German Corporate Governance Code (GCGC) must be complied with and the demands of the capital market given appropriate consideration when accepting further appointments.
- **Age limit and period of membership:** Persons who have reached the age of 72 on the day of election by the Annual Shareholders' Meeting should generally not be nominated for election. Membership on the Supervisory Board should generally not exceed 15 years; this corresponds to three regular statutory periods in office.
- **Independence:** All Supervisory Board members should be independent within the meaning of the criteria specified in the German Corporate Governance Code (GCGC). This means that they may not have a personal or business relationship with BASF, its governing bodies, a controlling shareholder or a company affiliated with this controlling shareholder that may cause a substantial and not merely temporary conflict of interest. The Supervisory Board has additionally defined the following principles to clarify the meaning of independence: The independence of employee representatives is not compromised by their role as an employee representative or employment by BASF SE or a Group company. Prior membership of the Board of Executive Directors does not preclude independence following the expiry of the statutory cooling-off period of two years. Members who have sat on the Supervisory Board for more than 15 years are not considered independent. Based on these criteria, the Supervisory Board should comprise at least 10 independent members; this also means that of the total of six shareholder representatives, at least four must be independent.

Status of implementation

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

The same applies to the diversity concept. The Supervisory Board currently comprises 25% women. The target of 30%, which also corresponds to the statutory quota, is to be met following the Supervisory Board elections in 2019.

According to the Supervisory Board's assessment, 11 of the 12 current members are considered independent based on the above criteria. One member of the Supervisory Board no longer meets the independence criteria as he has been a member of the Supervisory Board since May 1998.

 For more information on the statutory minimum quotas for the number of women and men on the Supervisory Board, see the section below

The independent Supervisory Board members are named under Management and Supervisory Boards on page 139

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


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

On April 24, 2015, the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector came into force in Germany. The supervisory board of a publicly listed European society (SE) that is composed of the same number of shareholder and employee representatives must, according to section 17(2) of the SE Implementation Act, consist of at least 30% each of women and men. The Supervisory Board of BASF SE currently comprises three women and nine men. Two of the six shareholder representatives elected at the Annual Shareholders' Meeting are women. According to the legal stipulations of section 17(2) SE Implementation Act, the minimum quota is not to be fulfilled immediately but rather upon any necessary reappointments, that is, new elections. In 2017, the employee-elected Supervisory Board member Robert Oswald left the Supervisory Board. He is succeeded by Sinischa Horvat, who joined the Supervisory Board without additional appointment, that is, without election, as the member personally chosen to replace Robert Oswald as early as 2013 until the end of the 2019 Annual Shareholders' Meeting. In accordance with legal regulations, the minimum quota will therefore be reached after the next regular Supervisory Board election in 2019 at the latest.

As a target figure for the Board of Executive Directors, the Supervisory Board determined that, in accordance with section 111(5) AktG for the second target-attainment period after the law's entry into force, which began on January 1, 2017, the Board of Executive Directors should continue to have at

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

BASF views the further development and promotion of women as a global duty independent of individual Group companies. We set ourselves ambitious global goals for this and made further progress in 2017. BASF will continue working on expanding the percentage of women in its leadership team. The company is carrying out, and constantly enhancing, worldwide measures to this effect.

 The November 2015 Employee Participation Agreement relevant to the composition of the Supervisory Board is available at basf.com/en/governance

 For more information on women in executive positions in the BASF Group worldwide, see page 26

For more information on the inclusion of diversity, including promotion of women, see the chapter on Working at BASF in the Management's Report on page 45

Shareholders' rights

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

Shareholders exercise their rights of co-administration and supervision at the Annual Shareholders' Meeting, which usually takes place within the first five months of the business year. The Annual Shareholders' Meeting elects half of the members of the Supervisory Board and, in particular, decides on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buybacks, changes to the Statutes and the selection of the auditor.

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote."

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

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


Implementation of the German Corporate Governance Code (GCGC)

- **BASF SE follows all recommendations of German Corporate Governance Code (GCGC)**

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code (GCGC) in its most recently revised version of February 2017. In the same manner, BASF has followed nearly all of the nonobligatory suggestions of the German Corporate Governance Code (GCGC). We have not implemented the suggestion to enable shareholders to follow the proceedings of the entire Annual Shareholders' Meeting online. The Annual Shareholders' Meeting is publicly accessible via online broadcast until the end of the speech by the Chairman of the Board of Executive Directors. The subsequent discussion of items on the agenda is not accessible online in order to preserve the character of the Annual Shareholders' Meeting as a meeting attended by our shareholders on-site.

 The joint Declaration of Conformity 2017 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 157

 For more information on the Declaration of Conformity 2017, the implementation of the Code's suggestions and the German Corporate Governance Code, see basf.com/en/governance

Disclosures according to section 315a(1) of the German Commercial Code (HGB) and explanatory report of the Board of Executive Directors according to section 176(1) sentence 1 of the German Stock Corporation Act (AktG)

As of December 31, 2017, the subscribed capital of BASF SE was €1,175,652,728.32 divided into 918,478,694 registered shares with no par value. Each share entitles the holder to one vote at the Annual Shareholders' Meeting. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates.

There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, section 16 of the SE Implementation Act and sections 84, 85 AktG as well as Article 7 of the BASF SE Statutes. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chairperson, as well as one or more vice chairpersons. The members of the Board of Executive Directors are appointed for a maximum of five years, and reappointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence at the Annual Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

According to Article 59(1) SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Shareholders' Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, the section 179(2) of the German Stock Corporation Act requires a majority of at least three-quarters of the subscribed capital represented.

Pursuant to Article 12(6) of the Statutes of BASF SE, the Supervisory Board is authorized to resolve upon amendments to the Statutes that merely concern their wording. This applies in particular to the adjustment of the share capital and the number of shares after the redemption of repurchased BASF shares and after a new issue of shares from the authorized capital.

Until May 1, 2019, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Shareholders' Meeting of May 2, 2014, to increase the subscribed capital – with the approval of the Supervisory Board – by a total amount of €500 million through the issue of new shares against cash or contributions in kind (authorized capital). A right to subscribe to the new shares shall be granted to shareholders. This can also be done by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory subscription right of shareholders to a maximum amount of a total of 20% of share capital in certain exceptional cases that are defined in Article 5(8) of the BASF SE Statutes. This applies in particular if, for capital increases in return for cash contributions, the issue price of the new shares is not substantially lower than the stock market price of BASF shares and the total number of shares issued under this authorization is not more than 10% of the stock of shares on the date of issue or, in eli-

gible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

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

At the Annual Shareholders' Meeting on May 12, 2017, the Board of Executive Directors was authorized to purchase up to 10% of the shares existing at the time of the resolution (10% of the company's share capital) until May 11, 2022. At the discretion of the Board of Executive Directors, the purchase can take place on the stock exchange or by way of a public purchase offer directed to all shareholders. The Board of Executive Directors is authorized to sell the repurchased company shares (a) through a stock exchange, (b) through a public offer directed to all shareholders and – with the approval of the Supervisory Board – to third parties, (c) for a cash payment that is not significantly lower than the stock exchange price at the time of sale and (d) for contributions in kind, particularly in connection with the acquisition of companies, parts of companies or shares in companies or in connection with mergers. In the cases specified under (c) and (d), the shareholders' subscription right is excluded. The Board of Executive Directors is furthermore authorized to redeem the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the redeemed shares.

Bonds issued by BASF SE grant the bearer the right to request early repayment of the bonds at nominal value if one person – or several persons acting in concert – hold or acquire a BASF SE share volume after the time of issuance which corresponds to more than 50% of the voting rights (change of control), and one of the rating agencies named in the bond's terms and conditions withdraws its rating of BASF SE or the bond, or reduces it to a noninvestment grade rating within 120 days after the change-of-control event.

In the event of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation (details of which are listed in the Compensation Report on page 148). A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. In addition, employees of BASF SE and its subsidiaries who are classed as senior executives will receive a severance payment if their contract of employment is terminated by BASF within 18 months of the occurrence of a change of control, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such

a case will receive a maximum severance payment of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of-control event.

The remaining specifications stipulated in section 315a(1) HGB refer to situations that are not applicable to BASF SE.

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

Directors' and Officers' liability insurance

BASF SE has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (directors' and officers' liability insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 AktG and for the level of deductibles for the Supervisory Board as recommended in section 3.8(3) of the German Corporate Governance Code (GCGC) (10% of damages up to one-and-a-half times the fixed annual compensation).

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

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

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

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


In 2017, a total of five purchases by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported as Directors' Dealings, involving between 510 and 10,000 BASF shares. The price per share was between €79.12 and €80.36. The volume of the individual trades was between €40,494 and €800,161.70. The disclosed share transactions are published on the website of BASF SE.

 For more information on securities transactions reported in 2017, see basf.com/en/governance/sharedealings

Information on the auditor

The Annual Shareholders' Meeting of May 12, 2017, once again elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the BASF Group Consolidated Financial Statements and Separate Financial Statements of BASF SE for the 2017 business year, as well as for those reports' corresponding Management's Reports. KPMG member firms also audit the majority of companies included in the Consolidated Financial Statements. KPMG has been the continuous auditor of BASF SE since the 2006 Financial Statements. For this reason, a public call to tender was made in 2015 to all auditors for the audit of the 2016 Consolidated and Separate Financial Statements, in line with the E.U. Regulation 537/2014 of April 16, 2014. Based on the results of the tendering process, the Audit Committee recommended to the Supervisory Board that it once again propose KPMG for election. After completing the tendering process, KPMG can now be proposed for election at the Annual Shareholders' Meeting as BASF's auditor without further tendering processes up to and including the 2025 business year. Alexander Bock has been the auditor responsible for the Consolidated Financial Statements since auditing the 2017 Financial Statements. Since the 2017 Financial Statements, the auditor responsible for the Separate Financial Statements has been Dr. Stephanie Dietz.

The total fee paid to KPMG and auditing firms of the KPMG group by BASF SE and other BASF Group companies for non-audit services, in addition to the auditing fee, was €0.7 million in 2017. This represents around 3.8% of the fees for auditing the financial statements.

 For more information, see Note 33 of the Consolidated Financial Statements on page 234

Compliance

Code of Conduct

Forms core of our
Compliance Program

More than 33,500

Participants in
compliance training

75 audits

Conducted internally
on compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. This topic has been integrated into our "We create chemistry" strategy. Our employee Code of Conduct firmly embeds these mandatory standards into day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

Compliance Program and Code of Conduct

- Integrated into corporate values
- Regular compliance training for employees

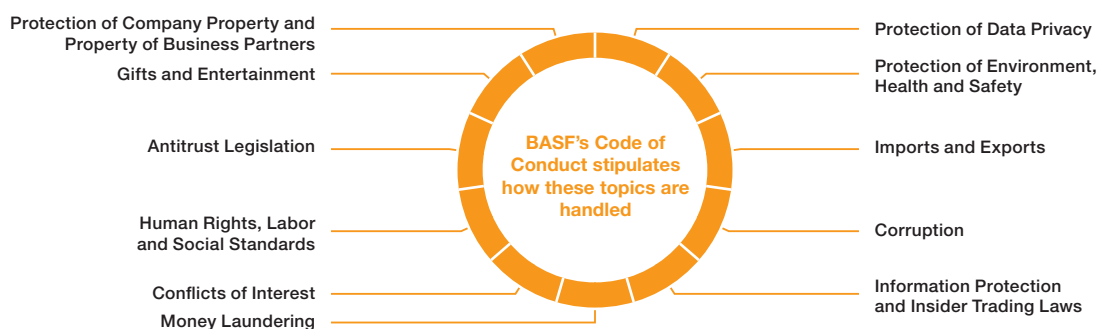
Based on international standards, BASF's Compliance Program combines important laws and company-internal policies – often exceeding legal requirements – with external voluntary commitments to create a framework that regulates how all BASF employees interact with business partners, officials, colleagues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

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

Our efforts are principally aimed at preventing violations from the outset. We perform systematic risk assessments to identify the risk of compliance violations, including corruption risks. These are conducted at division, regional and country level. The regular compliance audits performed by the Corporate Audit department are another source for the systematic identification of risks. These risks are documented in each risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation. One key element in the prevention of compliance violations is compulsory training and workshops held as classroom or online courses. All employees are required within a prescribed time frame to take part in basic compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 33,500 participants worldwide received around 54,000 hours of compliance training in 2017.

For more information on the BASF Code of Conduct, see basf.com/code_of_conduct

BASF's Code of Conduct



Compliance culture at BASF

We firmly believe that for corporate responsibility to be a success, there must be an active culture of living these guidelines within the company. Thanks to the early introduction of our Code of Conduct, these standards have already been firmly established and are undisputed. We expect all employees to act in line with these compliance principles. Managers place a key role here – they serve as an example of and communicate our values and culture both internally and externally.

Monitoring adherence to our Compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. He is supported in this task by more than 100 compliance officers worldwide in the regions and countries as well as in the divisions. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The CCO reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. For this, they can consult their managers, dedicated specialist departments, such as the Legal department, and company compliance officers. We have also set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report suspected or actual violations of laws or company guidelines. All hotlines are also open to the public. Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.


In 2017, 290 calls and emails were received by our external hotlines (2016: 278). These concerns involved questions ranging from personnel management and handling of company property to information on the behavior of business partners or human rights issues, such as on labor and social standards. We continued to observe increasing awareness when it came to potential conflicts of interest. We launched case-specific investigations, in accordance with applicable law and internal regulations, into all cases of suspected misconduct that we became aware of. These include, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate.


Most of the justified cases related to personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. There was one case of passive corruption. In such isolated cases, we took disciplinary measures up to and including dismissal in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success.

BASF's Corporate Audit department monitors adherence to compliance principles, covering all areas in which compliance violations could occur. They check that employees uphold regulations and make sure that the established processes, procedures and monitoring tools are appropriate and sufficient to minimize potential risk or preclude violations in the first place. In 2017, 75 Group-wide audits of this kind were performed (2016: 63). One audit gave rise to the suspicion of unlawful billing of labor by external service providers, with the involvement of BASF employees, at the Ludwigshafen site in the past few years. The district attorney's office is now investigating the matter. Overall, the audits confirmed the effectiveness of the compliance management system. No irregularities were shown in the audit's focus areas of antitrust law, trade controls and embargo.

Our business partners in sales are monitored for potential compliance risks based on the Guideline on Business Partner Due Diligence, which has been in effect since 2015, using a checklist, a questionnaire and an internet-based analysis. The results are then documented. Depending on the results, conclusions must be drawn regarding whether and how to maintain the business relationship. To date, we have ended one existing business relationship based on the results of the audit. In a number of cases, business relationships were not entered into because the business partners were not prepared to answer the questionnaire put to them. A dedicated global Supplier Code of Conduct applies to our suppliers.

We support the United Nations' Guiding Principles on Business and Human Rights and are constantly working to enhance our internal guidelines and processes in keeping with these principles. For example, there is an internal guideline to respect international labor and social standards that is applicable throughout the Group. Outside of our company, as well, we support respect for human rights and the fight against corruption: We are a founding member of the United Nations Global Compact. As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives.

 For more information on the Supplier Code of Conduct and supplier assessments, see page 93 onward

 For more information on human rights and labor and social standards, see basf.com/human_rights



Management and Supervisory Boards

Board of Executive Directors

There were eight members on the Board of Executive Directors of BASF SE as of December 31, 2017

Dr. Kurt Bock

Chairman of the Board of Executive Directors
Degree: Business Administration, 59 years old, 27 years at BASF

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

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

Supervisory Board memberships (excluding internal memberships):
Fresenius Management SE (member)

Dr. Martin Bruder Müller

Vice Chairman of the Board of Executive Directors
Degree: Chemistry, 56 years old, 30 years at BASF

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

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

Saori Dubourg (since May 12, 2017)

Degree: Business Administration, 46 years old, 21 years at BASF

Responsibilities: Construction Chemicals; Crop Protection; Bioscience Research; Region Europe

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

Dr. Hans-Ulrich Engel

Degree: Law, 58 years old, 30 years at BASF

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

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

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

Wintershall Holding GmbH (Chairman of the Supervisory Board)
Wintershall AG (Chairman of the Supervisory Board)

Comparable German and non-German supervisory bodies:
Nord Stream AG (member of the Shareholders' Committee)

Sanjeev Gandhi

Degrees: Chemical Engineering, Business Administration, 51 years old, 24 years at BASF

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

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

Michael Heinz

Degree: Business Administration, 53 years old, 34 years at BASF

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

First appointed: 2011, **Term expires:** 2019

Comparable German and non-German supervisory bodies:

BASF Antwerpen N.V. (Chairman of the Administrative Council since April 20, 2017)

Dr. Markus Kamieth (since May 12, 2017)

Degree: Chemistry, 47 years old, 19 years at BASF

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

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

Wayne T. Smith

Degrees: Chemical Engineering, Business Administration, 57 years old, 14 years at BASF

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

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

The following members left the Board of Executive Directors on May 12, 2017

Dr. Harald Schwager

Degree: Chemistry, 57 years old, 29 years at BASF

First appointed: 2008, **Term expired:** May 12, 2017

Margret Suckale

Degrees: Law, Business Administration, 61 years old, 8 years at BASF

First appointed: 2011, **Term expired:** May 12, 2017

Comparable German and non-German supervisory bodies:

BASF Antwerpen N.V. (Chairwoman of the Administrative Council until April 20, 2017)

Changes as of May 4, 2018

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

Dr. Martin Bruder Müller

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

Saori Dubourg

Construction Chemicals; Crop Protection; Bioscience Research; Region Europe

Dr. Hans-Ulrich Engel

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

Sanjeev Gandhi

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

Michael Heinz

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

Dr. Markus Kamieth

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

Wayne T. Smith

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

Supervisory Board

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

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

Dr. Jürgen Hambrecht, Neustadt an der Weinstraße, Germany*¹

Chairman of the Supervisory Board of BASF SE

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

Member of the Supervisory Board since: May 2, 2014

Supervisory board memberships:

Fuchs Petrolub SE (chairman)

Trumpf GmbH & Co. KG (chairman)

Daimler AG (member)

Comparable German and non-German supervisory bodies:

Nyxoa S.A. (nonexecutive director until December 31, 2017)

Michael Diekmann, Munich, Germany*¹

Vice Chairman of the Supervisory Board of BASF SE

Chairman of the Supervisory Board of Allianz SE

Member of the Supervisory Board since: May 6, 2003

Supervisory board memberships:

Allianz SE (chairman since May 7, 2017)

Fresenius Management SE (member)

Fresenius SE & CO. KGaA (vice chairman)

Linde AG (vice chairman until May 10, 2017)

Siemens AG (member)

Sinischa Horvat, Limburgerhof, Germany*²

Vice Chairman of the Supervisory Board of BASF SE

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

Member of the Supervisory Board since: May 12, 2017

Ralf-Gerd Bastian, Neuhausen, Germany*²

Member of the Works Council of BASF SE, Ludwigshafen Site

Member of the Supervisory Board since: May 6, 2003

Dame Alison Carnwath DBE, Exeter, England*¹

Senior Advisor Evercore Partners

Member of the Supervisory Board since: May 2, 2014

Comparable German and non-German supervisory bodies:

Zurich Insurance Group AG (independent, nonexecutive member of the Administrative Council)

Zürich Versicherungs-Gesellschaft AG (independent, nonexecutive member of the Administrative Council)

Land Securities Group plc (nonexecutive Chairman of the Board of Directors)

PACCAR Inc. (independent member of the Board of Directors)

Coller Capital Ltd. (nonexecutive member of the Board of Directors)

Prof. Dr. François Diederich, Dietikon, Switzerland¹

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

Member of the Supervisory Board since: May 19, 1998

Franz Fehrenbach, Stuttgart, Germany*¹

Chairman of the Supervisory Board of Robert Bosch GmbH

Member of the Supervisory Board since: January 14, 2008

Supervisory board memberships:

Robert Bosch GmbH (chairman)

Stihl AG (vice chairman)

Linde AG (second deputy chairman)

Comparable German and non-German supervisory bodies:

Stihl Holding AG & Co. KG (member of the Advisory Board)

Francesco Grioli, Ronnenberg, Germany*²

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

Member of the Supervisory Board since: May 2, 2014

Supervisory board memberships:

Gerresheimer AG (vice chairman)

Villeroy & Boch AG (member)

Steag New Energies GmbH (vice chairman)

V & B Fliesen GmbH (member)

Waldemar Helber, Otterbach, Germany*²

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

Member of the Supervisory Board since: April 29, 2016

Anke Schäferkordt, Cologne, Germany*¹

Member of the Executive Board of Bertelsmann SE & Co. KGaA

Co-Chief Executive Officer of RTL Group S.A. (until April 19, 2017)

Chief Executive Officer of Mediengruppe RTL Deutschland GmbH

Member of the Supervisory Board since: December 17, 2010

Comparable German and non-German supervisory bodies:

Métropole Télévision S.A. (member of the Supervisory Board)

Denise Schellekens, Brecht, Belgium*²

Full-time trade union delegate

Member of the Supervisory Board since: January 14, 2008

Michael Vassiliadis, Hannover, Germany*²

Chairman of the Mining, Chemical and Energy Industries Union

Member of the Supervisory Board since: August 1, 2004

Supervisory board memberships:

K+S Aktiengesellschaft (vice chairman)

Steag GmbH (member)

RAG AG (vice chairman)

RAG DSK AG (vice chairman)

The following member left the Supervisory Board on May 12, 2017

Robert Oswald, Altrip, Germany*²

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

Member of the Supervisory Board since: October 1, 2000

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 131 for the criteria used to determine independence)

¹ Shareholder representative

² Employee representative

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.

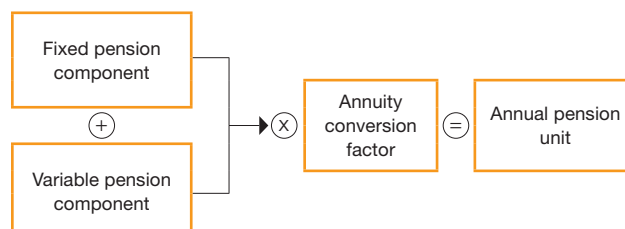
The members of the Board of Executive Directors are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company. This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 of the German Stock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

Report of the Supervisory Board



Dear Shareholders,

The dynamic development of BASF and its competitive environment meant that 2017 was a very busy year for the Supervisory Board. Its work focused primarily on the following:

- Strategically important portfolio measures such as the agreed acquisition of significant parts of the seed business from Bayer and the planned transfer of the oil and gas business to a joint venture
- The further development of the compensation system for the Board of Executive Directors
- Changes to the Board of Executive Directors with the naming of a new Chairman, also for the purpose of succession planning for the Supervisory Board

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

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

In 2017, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, all of the major financial key performance indicators (KPIs) of the BASF Group and its segments, the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development.


The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director's company leadership.

The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings so that the Chairman of the Supervisory Board was promptly informed of current developments and significant issues. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on all of those individual measures taken by the Board of Executive Directors which by law or the Statutes required the approval of the Supervisory Board. In the 2017 business year, these included authorizing:

- The acquisition of the seed business offered by Bayer
- The transfer of the oil and gas business bundled in the Wintershall Group to a joint venture with LetterOne, including possible public listing
- The acquisition of the polyamide business from Solvay
- Co-financing the Nord Stream 2 pipeline project

Supervisory Board meetings

The Supervisory Board held six meetings in the 2017 business year. With the exception of one meeting at which one member of the Supervisory Board was unable to attend, all members attended all Supervisory Board meetings in 2017. No member of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board and the committees of which they are members. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors. All members of the Board of Executive Directors attended the Supervisory Board meetings unless it was deemed appropriate that the Supervisory Board discuss individual topics – such as personnel matters relating to the Board of Executive Directors – without them being present.

 An individual overview of attendance at meetings of the Supervisory Board and its committees will be made available on the company website at basf.com/governance/supervisoryboard/meetings

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

In all meetings, with the exception of the meeting following the Annual Shareholders' Meeting on May 12, 2017, which exclusively addressed organizational Supervisory Board topics,

the Supervisory Board discussed the further development of the BASF Group's business activities through acquisitions, divestitures and investment projects. Discussions focused on:

- Global consolidation in the crop protection industry and the acquisition of the seed business offered by Bayer
- The acquisition of the polyamide value chain from Solvay
- The long-term development of and strategic opportunities for the oil and gas business bundled in the Wintershall group, including the gas transportation business and its combination with DEA's business in a joint venture with LetterOne, as well as the option of later public listing
- The progress of the Nord Stream 2 pipeline project and the BASF Group's involvement in financing the project
- The expansion of the battery materials business in Europe, North America and Japan, for example by establishing additional production capacities in cooperation with Toda and a raw materials supply cooperation with Norilsk Nickel

At its meeting on February 22, 2017, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2016 business year as presented by the Board of Executive Directors. In addition, it discussed details of the new structure of the Supervisory Board's compensation and prepared the corresponding resolution for the Annual Shareholders' Meeting. The Supervisory Board met prior to the Annual Shareholders' Meeting on May 12, 2017, primarily to prepare for the Annual Shareholders' Meeting.

In addition to strategically significant individual measures, the Supervisory Board also addressed BASF's strategy and long-term business prospects in individual business areas and regions. This was the focus of its meeting on July 24/25, 2017, at which the Board of Executive Directors provided a status update on the implementation of the "We create chemistry" strategy. The main consultation topics were:

- The possibilities and objectives for strategic portfolio development
- Strategic opportunities for the oil and gas business
- The development of the Verbund and measures to promote operational excellence
- The long-term development of the automotive industry as one of BASF's key customer industries and the related strategic business opportunities, especially from the development of electromobility and autonomous driving
- Innovations, especially the status, opportunities and risks arising from the digitalization of industrial processes

At its meeting on October 20, 2017, the Supervisory Board addressed the crop protection and seeds business in detail, including its growth prospects and business risks as well as technology, market and development trends. It was also informed of the new statutory nonfinancial reporting requirements and how the Board of Executive Directors planned to structure BASF's nonfinancial statements going forward. In this connection, the Supervisory Board resolved to also have the auditor conduct a substantive audit with limited assurance

for the nonfinancial statements, above and beyond the statutory auditing requirements.

At its meeting on December 21, 2017, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning including the investment budget for 2018, and as usual authorized the Board of Executive Directors to procure the necessary financing in 2018.

Composition and compensation of the Board of Executive Directors

In several meetings in the 2017 business year, the Supervisory Board conferred on, and passed resolutions on, personnel topics in the Board of Executive Directors as well as questions concerning the compensation of the Board of Executive Directors. Based on preparation conducted by the Personnel Committee, it determined the targets for the Board of Executive Directors for the 2017 business year at its meeting on February 22, 2017.

At its meeting on December 21, 2017, the Supervisory Board discussed at length, based on the counsel of the Personnel Committee, questions relating to the composition of the Board of Executive Directors, succession planning for the Board of Executive Directors, the further development of the compensation system for the Board of Executive Directors as well as the related adjustments to the Board members' contracts as of January 1, 2018, and evaluated the Board of Executive Directors' performance in 2017. As part of long-term succession planning, the Supervisory Board named Dr. Martin Brudermüller, currently Vice Chairman of the Board of Executive Directors, as Chairman of the Board of Executive Directors effective at the end of the Annual Shareholders' Meeting on May 4, 2018. The current Chairman of the Board of Executive Directors, Dr. Kurt Bock, will step down from the Board of Executive Directors by mutual agreement on this date so that he can be elected to the Supervisory Board and appointed as its chairman in 2020. Dr. Kurt Bock agreed on early discontinuance of his contract without severance pay and will receive the contractually agreed interim and pension benefits in accordance with regular expiration of a term on the Board of Executive Directors on this date. Furthermore, the Supervisory Board named the Board of Executive Directors member Dr. Hans-Ulrich Engel as Vice Chairman of the Board of Executive Directors, likewise effective May 4, 2018, and extended the appointments of Dr. Martin Brudermüller, Dr. Hans-Ulrich Engel and Sanjeev Gandhi until the end of the Annual Shareholders' Meeting in 2023. The number of members of the Board of Executive Directors will be reduced from eight to seven following the 2018 Annual Shareholders' Meeting.

In addition, on December 21, 2017, after a number of preparatory briefings by the Personnel Committee in the meetings prior, the Supervisory Board resolved to amend the compensation system for the Board of Executive Directors and its members' contracts. The main changes are the introduction of a new performance bonus to make it more long

term and forward-looking in line with the new recommendations of the German Corporate Governance Code, which replaces the annual variable compensation granted to date, as well as the agreement of a contractual clawback clause in the case of a gross breach of the duties pertaining to the Board of Executive Directors. The amended compensation system for the Board of Executive Directors is to be submitted to the Annual Shareholders' Meeting on May 4, 2018 for approval. All members of the Board of Executive Directors have agreed to the contractual amendment with effect from January 1, 2018.

Committees

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

 For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report on page 129

The **Personnel Committee** met four times during the reporting period. With the exception of one meeting, which one committee member was unable to attend, all committee members attended the meetings. At its meeting on February 22, 2017, the Personnel Committee advised on the targets for the Board of Executive Directors for the 2017 business year. The main focus at the meeting on July 24, 2017 was the development of leadership at the top levels of management below the Board of Executive Directors, as well as long-term succession planning and potential alternate candidates for that Board.

The main agenda item at the meeting on October 20, 2017 was the further development of the compensation system for the Board of Executive Directors. Agenda items at the meeting on December 21, 2017 were the performance evaluation of the Board of Executive Directors for 2017, consultation on the profile of skills and expertise and the diversity concept for the Board of Executive Directors and the Supervisory Board, as well as preparations for resolutions by the Supervisory Board on the composition of the Board of Executive Directors. One of the committee's core tasks at all meetings was continuing the discussion started in 2016 on the further development of the compensation awarded to the Board of Executive Directors and the resulting amendment to Board members' contracts. The results of the committee's discussions formed the basis for the amended compensation system for the Board of Executive Directors that was resolved by the Supervisory Board on December 21, 2017.

The **Audit Committee** is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act

and in section 5.3.2 of the German Corporate Governance Code in the version dated February 7, 2017. Since the 2017 business year, these tasks also include auditing the nonfinancial statements of BASF SE and the BASF Group. The Audit Committee met five times during the reporting period. Its core duties were to review BASF SE's Financial Statements and Consolidated Financial Statements, as well as to discuss the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication. With the exception of two meetings, which one member did not attend, all committee members participated in the meetings.

At the meeting on February 21, 2018, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2017 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the nonfinancial statements of BASF SE and the BASF Group, which were part of the management's reports for the first time in 2017. In preparation for the audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG AG Wirtschaftsprüfungsgesellschaft to perform a substantive audit with limited assurance of the nonfinancial statements and to issue an assurance report on this. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 24, 2017, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting – with the audit for the 2017 reporting year and auditing fees were agreed upon. The focus areas for the annual audit were discussed and defined together with the auditor. The Audit Committee categorically excluded any service relationships between auditor and BASF Group companies outside of the audit of the annual financial statements, including beyond prevailing legal limitations. These services may only be performed upon approval by the Audit Committee. For certain nonaudit services beyond the scope of the audit of the financial reports, the Audit Committee either granted approval for individual cases or authorized the Board of Executive Directors to engage KPMG AG Wirtschaftsprüfungsgesellschaft for such services. The authorization of each service applies for one reporting year and is limited in amount.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system. The Audit Committee focused on the internal auditing system at the meeting on July 24, 2017, and compliance in the BASF Group on December 20, 2017. In these meetings, the head of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. In all meetings, the Audit Committee also received information on the development of risks from litigation.

The **Nomination Committee** is responsible for preparing candidate proposals for the election of those Supervisory Board members who are elected by the Annual Shareholders' Meeting. The Nomination Committee is guided by the


objectives for the composition of the Supervisory Board adopted by the Supervisory Board as well as the profile of skills and expertise and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met once in 2017. All committee members attended the meeting. The focus of the meeting was consultation on the preparation of a profile of skills and expertise and diversity concept for the Supervisory Board as a whole, which aim to ensure that – based on a systematic review – individuals are nominated to the Annual Shareholders' Meeting for election to the Supervisory Board that collectively possess all of the professional and personal competencies and experience that, according to the Supervisory Board's assessment, are necessary to perform its tasks in full. Another focus of the meeting was discussing the alternate candidates as well as long-term planning and preparations for the succession of the current Chairman of the Supervisory Board with the suggestion to elect the current Chairman of the Board of Executive Directors, Dr. Kurt Bock, as a member of the Supervisory Board and its Chairman after expiry of the statutory cooling-off period of two years following his departure from the Board of Executive Directors.

The **Strategy Committee** met four times in 2017. The Committee was established to consult on strategic options for the further development of the BASF Group and has comprised six members of the Supervisory Board since May 2017. With the exception of one meeting, which one committee member was unable to attend, all committee members attended the meetings. At its meetings, the Committee addressed in detail options for the strategic further development of BASF's portfolio and proposed material acquisitions and divestitures, particularly in the Agricultural Solutions and Oil & Gas segments. The Committee's discussions and resolutions repeatedly dealt with the intended acquisition of the seed business offered by Bayer and the potential combination of the BASF Group's and LetterOne's oil and gas businesses in a joint venture, with the intention of later listing it on the stock exchange.


Corporate Governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2017, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code in the version dated February 7, 2017. In addition to the review of BASF's corporate governance culture, topics of discussion were the implementation of the new recommendations and suggestions of the German Corporate Governance Code as well as the statutory requirements for the Supervisory Board arising from the CSR Directive Implementation Act. Discussions and decisions focused especially on the implementation of the expanded recommendations of the German Corporate Governance

Code on structuring the variable components of the compensation awarded to the Board of Executive Directors, as well as the requirements on the composition of the Supervisory Board and the Board of Executive Directors, which are summarized in the profiles of skills and expertise and diversity concepts for the Supervisory Board and the Board of Executive Directors.

 For more information on the profiles of skills and expertise, diversity concepts and composition goals, see page 128 and from page 130 onward

At its meeting of December 21, 2017, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with section 161 of the German Stock Corporation Act. BASF complies with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, without exception. The Corporate Governance Report of the BASF Group provides extensive information on BASF's corporate governance.

 The full Declaration of Conformity is rendered on page 157 and is available to shareholders on the company website at basf.com/en/governance

Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. According to assessments of the Supervisory Board, eleven of its twelve members can be considered independent within the meaning of the German Corporate Governance Code and the additional criteria defined by the Supervisory Board for evaluating their independence. The criteria used for this evaluation can be found in the Corporate Governance Report on page 131. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment of their independence. The scope of these businesses is relatively marginal and furthermore takes place under conditions similar to those of a third party. The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. This took place in 2017 as well, as the Chairman of the Supervisory Board conducted individual dialogs with each Supervisory Board member using a structured questionnaire. Topics especially centered on Supervisory Board meeting agendas, cooperation with the Board of Executive Directors, information supply of the Supervisory Board, the Committees' duties, composition and work, and cooperation with shareholder and employee representatives. The results of these individual meetings were presented and thoroughly discussed at the Supervisory Board meeting on December 21, 2017. Overall, its members rated the Supervisory Board's activity as efficient.

Independent of the efficiency review, the Audit Committee also conducted a self-assessment of its activities in 2017 based on individual discussions with all of its members. Material topic areas were the organization and content of the

meetings and the supply of information as the basis of the Committees' work. No notable need for action was identified.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2017 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management's Report and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under section 91(2) of the German Stock Corporation Act (AktG) in an appropriate manner. In particular, it had instituted an appropriate information and monitoring system that fulfilled the requirements of the company and is applicable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of the financial statements are presented in the Auditor's Report, the content of which has been significantly expanded since the 2017 Financial Statements.

 The Auditor's Report is rendered from page 162 onward

For more information on the auditor, see the Corporate Governance Report on page 134

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

 The assurance report issued by KPMG on the substantive audit of the NFS can be found at basf.com/nfs-audit

The auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 21, 2018, as well as the accounts meeting of the Supervisory Board on February 22, 2018, and reported on the procedure and material findings of its audit, including the key audit matters described in the Auditor's Report. The auditor also provided detailed explanations of the reports on the day before the accounts meeting of the Supervisory Board.


The Audit Committee reviewed the Financial Statements and Management's Report at its meeting on February 21, 2018, including the reports prepared by the auditor and the

key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The Chairman of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on February 22, 2018. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2017, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2017. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports.

At its accounts meeting on February 22, 2018, the Supervisory Board approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the 2017 Financial Statements final. The Supervisory Board concurs with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.10 per share.

Composition of the Supervisory Board

The long-serving Vice Chairman of the Supervisory Board, Robert Oswald, stepped down from the Supervisory Board at the conclusion of the Annual Shareholders' Meeting on May 12, 2017. He had been a member of the Supervisory Board as an employee representative since October 1, 2000. As the chairman of the Works Council at BASF SE's Ludwigshafen Site, BASF's Joint Works Council and the BASF Works Council Europe, Robert Oswald played a significant role in BASF's development. The Supervisory Board expresses its very sincere thanks to Robert Oswald for his contribution. He was succeeded by Sinischa Horvat, who joined the Supervisory Board as the alternate member appointed by the BASF Works Council Europe on December 4, 2013, in accordance with the Employee Participation Agreement dated November 15, 2007.

 For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 131

Thanks

The Supervisory Board wishes to thank all employees of the BASF Group worldwide and the management for their personal contribution in the 2017 business year.

Ludwigshafen, February 22, 2018

The Supervisory Board



Jürgen Hambrecht
Chairman of the Supervisory Board

Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act (AktG)

Declaration of Conformity 2017 of the Board of Executive Directors and the Supervisory Board of BASF SE

**The Board of Executive Directors and the Supervisory
Board of BASF SE hereby declare pursuant to section
161 AktG (Stock Corporation Act)**

1. The recommendations of the Government Commission on the German Corporate Governance Code as amended on May 5, 2015, published by the Federal Ministry of Justice on June 12, 2015, in the official section of the electronic Federal Gazette, have been complied with since the submission of the last Declaration of Conformity in December 2016.
2. The recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017, published by the Federal Ministry of Justice on April 24, 2017, in the official section of the electronic Federal Gazette are complied with and will be complied with.

Ludwigshafen, December 2017

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Declaration of Corporate Governance

Declaration of Corporate Governance as per section 315d of the German Commercial Code (HGB) in connection with section 289f HGB

The Declaration of Corporate Governance, pursuant to section 315d HGB in connection with section 289f HGB, comprises the subchapters Corporate Governance Report including the description of the diversity concept for the composition of the Board of Executive Directors and the Supervisory Board (except for the disclosures pursuant to section 315a(1) HGB), Compliance and Declaration of Conformity as per section 161 of the German Stock Corporation Act (AktG) in the Corporate Governance chapter. It is a component of the Management's Report.

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