

Working at BASF

115,490

Employees
around the world

Life-long learning

On center stage

3,103

Apprentices¹
in around 50 occupations

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

Strategy

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

The Best Team Strategy is derived from our corporate strategy and plays a key role in achieving our goals. We want to form the best team. To achieve this, we focus on three strategic directions: excellent people, excellent place to work and excellent leaders. Emphasis is placed on our attractiveness in worldwide labor markets, personal and professional development, lifelong learning, and supporting and developing our leaders. We are committed to complying with internationally recognized labor and social standards worldwide. In addition, BASF reacts early to external trends and challenges such as the advance of globalization and the increasingly rapidly

changing environment, especially as this relates to the digitalization of work.

The Best Team Strategy also addresses the balance needed between the inherently local nature of human resources issues and regional or global requirements (concept, structure, process) for the human resources topics that are of overriding importance for BASF.

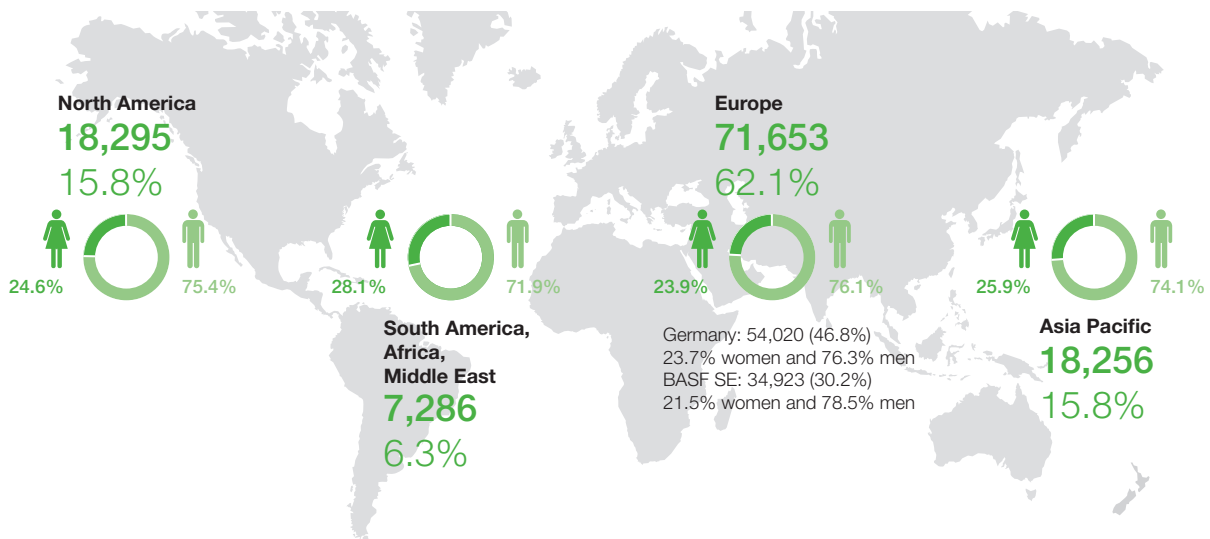


Number of employees

At the end of 2017, BASF had 115,490 employees (2016: 113,830); of these, 3,103 were apprentices (2016: 3,120). The higher headcount was primarily due to the acquisitions of Grupo Thermotek, Monterrey, Mexico, Rolic AG, Allschwil, Switzerland, and the western European building material business for professional users from the Henkel group.

BASF Group employees by region

(Total: 115,490, thereof 24.6% women, as of December 31, 2017)



¹ At BASF, the apprenticeship program trains students for technical, scientific and business vocations as well as for trade and craft professions.

Competition for talent

- Positioning as an attractive employer
- Focus on social media and online marketing

Our aim is to position BASF as an attractive employer and recruit qualified talent in the global competition for the best skilled employees and leaders. To this end, we are constantly working on measures to increase BASF's appeal in the global labor markets and to help create a compelling total offer package for employees. We are increasingly using digital platforms such as our country-specific career websites as well as global and regional social networks to reach potential candidates. This enables us to address specific target groups. For instance, we increased awareness of BASF among digital specialists in particular with a global campaign on various social media. In Brazil, we used Snapchat – a special instant messenger to send images and other media – for the first time in 2017 to directly address candidates for the trainee program and give them a better understanding of the company. In Germany, we held the first BASF hackathon. Around 50 university students solved a specific problem from our divisions within 24 hours and presented their solutions to a panel of BASF experts. In North America, the Diverse Leaders program was initiated to attract talented leadership candidates with an MBA from different backgrounds. We once again achieved high scores in a number of employer rankings in 2017. For example, in a study conducted by Universum, BASF was again selected by engineering and IT students as one of the 50 most attractive employers in the world. In North America, BASF was rated one of the top 50 employers on the employer rating website glassdoor.com. In Asia, Top Employer recognized BASF China as one of the best employers for the seventh time in succession.

BASF Group new hires in 2017

	December 31, 2017	Thereof women %
Europe	3,987	29.3
North America	2,002	30.1
Asia Pacific	2,141	24.9
South America, Africa, Middle East	786	38.8
Total	8,916	29.3

The BASF Group hired 8,916 new employees in 2017. The average percentage of employees who resigned during their first three years of employment was 1.3% worldwide in 2017. This turnover rate was 0.7% in Europe, 1.9% in North America, 3.0% in Asia Pacific and 2.1% in South America, Africa, Middle East. Our early turnover rate is therefore at a desirable low level.



Vocational training

- 3,103 apprentices in around 50 occupations worldwide
- Around €106 million spent on vocational training

Our vocational training plays a key role in securing qualified employees at our largest site in Ludwigshafen, Germany, as well as at many other Group companies. We give school students in the career orientation phase insights into different training paths with target group-specific measures such as the *Wunschberuf im Praxistest* ("Test Drive Your Dream Job") day, which is held several times a year.

Digitalization is also changing vocational training at BASF. Course content is adapted to include new Industry 4.0 topics such as modules on data management or automation, and modern communication technologies make new learning methods possible. Young people train for their future profession in modern workshops and laboratories, where they use digital technologies from the start.

In 2017, 831 apprentices started their vocational training at BASF SE and at German Group companies, filling almost all available vocational program slots in Germany. As of December 31, 2017, the BASF Group was training 3,103 people in 15 countries and around 50 occupations. We spent a total of around €106 million on vocational training in 2017.

BASF Group employees by contract type (total: 115,490)

	December 31, 2017	Thereof women %
Permanent staff	109,837	24.1
Apprentices	3,103	24.3
Temporary staff	2,550	43.9

We also foster social integration, particularly of young low achievers and refugees. Examples of this include the *Start in den Beruf*, *Anlauf zur Ausbildung* and *Start Integration* programs in the Rhine-Neckar metropolitan region. In 2017, 284 young people in the BASF Training Verbund participated in these programs in cooperation with partner companies. The goal of these programs is to prepare participants for a subsequent apprenticeship within one year, and ultimately secure the long-term supply of qualified employees in the region. Since being launched at the end of 2015, BASF's *Start Integration* program has supported 250 refugees with a high probability of being granted the right to remain in Germany, helping to integrate them into the labor market. We spent around €6 million on the BASF Training Verbund in 2017 as part of our social commitment.

For more information, see basf.com/apprenticeship



What we expect from our leaders

- Leaders as role models
- Multifaceted offers for leadership development

Our leaders and their teams should make a sustainable contribution to BASF's success and to safeguarding its future. We expect our leaders to serve as role models by developing and implementing business strategies in line with our corporate values. They should also have a positive impact on shaping day-to-day business, motivating employees and fostering their development. These expectations are part of the standard global nomination criteria for leadership candidates. Our leadership culture is founded on BASF's strategic principles and values, which are set out in specific behavioral standards in the global Competency Model, as well as our global Code of Conduct.

We offer our leaders learning and development opportunities for all phases of their career, as well as various formats that enable them to share knowledge and learn from one another. Global, regional and local offerings are coordinated. For instance, the European Emerging Leader program prepares leadership candidates from all over Europe for a leadership role. The global New Leader Program is a basic qualification to get new leaders off to a good start in their new, more responsible role. The modular structure of the program means that it can be adapted to regional needs. One example of the development of experienced leaders is a program developed in North America where experienced leaders from BASF are brought together with leaders from other companies. This broadens participants' perspectives, promotes dialog and builds networks beyond company borders.

Regular feedback plays an important role in the development of leaders. One tool is Global Leadership Feedback, where leaders receive feedback from their employees, managers, colleagues and customers on their conduct.

Leadership responsibility in the BASF Group

	December 31, 2017	Thereof women %
Professionals ¹	37,642	29.7
(Senior) executives ²	9,388	20.5

¹ Specialists without disciplinary leadership responsibilities

² Employees with disciplinary leadership responsibilities



Learning and development

- Life-long learning concept
- Focus on virtual learning and digitalization

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote lifelong, self-directed learning as part of the Best Team Strategy.

This learning culture is based on systematic employee development. In our understanding, there is more to development than a promotion or a job change – it encompasses all forms of further development of personal experience and abilities. We have derived specific day-to-day behavioral standards from our corporate strategy and integrated these into our global Competency Model. In regular development meetings, which are held as part of our annual employee dialogs, employees outline prospects for their individual development together with their leaders and determine specific measures for further training and development, which focus on personal and professional competencies. We have now implemented our employee development concept worldwide using a structured process and appropriate tools and have introduced personal development meetings for all employees.

Our learning activities follow the "70-20-10" philosophy: We apply the elements "learning from experience" (70%), "learning from others" (20%) and "learning through courses and media" (10%). Our learning and development offerings cover a range of learning goals: starting a career, expanding knowledge, personal growth and leadership development. Virtual learning is playing an increasingly important role here. In Asia, a Virtual Week was held for the first time in 2017, where over 1,100 employees from 15 countries virtually discussed topics such as digitalization, sustainability and change management. In addition, more and more of our academies in the divisions and functional units, which teach specific professional content, offer virtual training. One example of a successful development measure in the area of virtual learning is Virtual Presence, in which employees learn how to communicate effectively in virtual meetings in an increasingly digital world. Initially offered to leaders, this training will be available to all employees starting in 2018. In North America, we expanded our learning offering with a flexible and efficient new learning platform that offers compact modules for all employees.



Inclusion of diversity

Promoting diversity is part of our company culture

The strong global character of our markets translates into different customer requirements – and we want to reflect this diversity in our workforce, too. For us, diversity is first and foremost about bringing together employees with different backgrounds who can draw on different perspectives to grow our business. At the same time, we want to better understand our customers' expectations. Diversity also boosts our teams' performance and power of innovation, and increases creativity, motivation and identification with the company. Promoting diversity is an integral part of our corporate culture and as such, it is also anchored in the global Competency Model as one of the behaviors expected of employees and leaders. This is how we promote the appreciation and inclusion of diversity. Leaders play an important role in its implementation. We support them by integrating topics such as inclusive leadership into our leadership development courses. Special seminars are held to sensitize leaders to the issue of unconscious bias. The aim is to help leaders remain as objective as possible when making personnel decisions, for example, to avoid unconscious biases in favor of or against candidates with certain characteristics or views.

2021 Goal

Proportion of women in leadership positions with disciplinary responsibility

22–24%

Since 2015, BASF has set itself global quantitative goals for increasing the percentage of women in leadership positions. In the BASF Group, the global proportion of female leaders with disciplinary responsibility was 20.5% at the end of 2017 (2016: 19.8%). We aim to increase this ratio to 22–24% worldwide by 2021, so that the proportion of women in leadership positions reflects that of women in the global company workforce. Considering the relatively low rate of turnover in the BASF Group's leadership team, this is an ambitious goal that we want to achieve through various measures. One example is the *KarrierePlus* program, which supports leaders and future leaders with young children in their professional development with mentoring, networking events and training. The mentors gain insights into successful models for flexible work and leadership. BASF has been a member of the *Chefsache* initiative since 2016, a network of leaders from industry, academia, the public sector and media. The initiative aims to initiate social change such as increasing the percentage of women in leadership positions in Germany. Furthermore, BASF wants to continue increasing the percentage of senior executives¹ that

come from countries other than Germany. This figure was at 38.9% at the end of 2017 (2016: 36.4%). Moreover, we intend to maintain the proportion of senior executives with international experience at over 80%. We exceeded this figure again in 2017, reaching 84.6%. With these goals, we continue to drive our globally integrated approach to promoting diversity and leadership development.

For more information, see basf.com/diversity

For more information on diversity in the Board of Executive Directors and the Supervisory Board, see page 131 onward

Managing demographic change

Leadership duties include “leadership in times of demographic change”

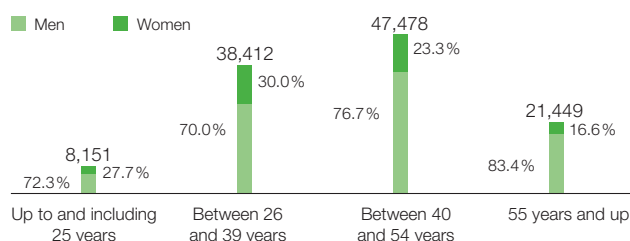
Our aim is to create a suitable framework to help maintain the employability of our personnel at all stages of life and ensure the availability of qualified employees – particularly in a technological environment – over the long term. We are working intensively on future trends like new technologies and digitalization (Industry 4.0). We see digitalization as an opportunity to meet the challenges of demographic change.

The demographic situation within the BASF Group varies widely by region. The ever-increasing delay of retirement and the aging employee population are relevant issues, particularly in Germany and North America. We address these different challenges with various measures to manage demographic change such as health and exercise programs, flexible working arrangements, age-appropriate workplaces and knowledge management. Demographic analyses for our sites, for individual plants and specific job profiles make each demographic situation transparent for the responsible leaders. For plants and profiles with a particularly critical age structure, we immediately derive specific measures such as direct knowledge transfer programs or succession planning. Given the special role that our leaders assume, the topic “leadership in times of demographic change” forms a part of many of our leadership programs.

For more information on health protection, see page 100

BASF Group employee age structure

(Total: 115,490, thereof 24.6% women, as of December 31, 2017)



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

Balancing personal and professional life

■ Wide range of offerings for different phases of life

Our identity as an employer includes our belief in supporting our employees worldwide in balancing their personal and professional lives. We lay the foundation with a wide range of offerings to help our employees meet their individual needs and overcome challenges in different phases of life. We want to strengthen their identification with the company and bolster our position as an attractive employer in the competition for qualified personnel. Our offering includes flexible working hours, part-time employment and mobile working. Regional initiatives specifically address the needs of our employees at a local level. In the United States, a new family-friendly leave program was introduced in 2017 that enables employees to concentrate solely or primarily on their families for a certain period of time in important life-changing situations. Our Work-Life Management employee center in Ludwigshafen (LuMit) offers a number of services under one roof: childcare, fitness and health, social counseling and coaching as well as other programs to help employees balance professional and personal life. We also provide social counseling at the Münster and Schwarzheide sites in Germany as well as in Asia, South Africa and North America to help employees overcome difficult life situations and maintain their employability.



Compensation and benefits

■ Compensation based on employee's position and individual performance as well as company's success

We want to attract committed and qualified employees, retain them and motivate them to achieve top performance with an attractive package including market-oriented compensation, individual development opportunities and a good working environment. Our employees' compensation is based on market-, position- and performance-related global compensation principles. By linking compensation to both company and individual performance, employees can participate in the company's success and be rewarded for their individual performance. As a rule, compensation comprises fixed and variable components as well as benefits that often exceed legal requirements. In many countries, these include company pension benefits, supplementary health insurance and share programs. We regularly review our compensation systems at local and regional levels.



Employees participate in the company's success

■ Return on assets determines variable compensation

We want our employees to contribute to the company's long-term success. This is why the compensation granted to vast majority of our employees includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles basically apply for all employees worldwide. The amount of the variable component is determined by the company's economic success (measured by the return on assets¹ of the BASF Group) as well as the employee's individual performance. Individual performance is assessed as part of a globally consistent performance management process. In numerous BASF Group companies, employees are offered the chance to purchase shares. Our *plus* share program ensures employees' longterm participation in the company's success through incentive shares: A portion of the variable compensation can be invested in BASF shares in order to profit from BASF's long-term development. In 2017, for example, 23,700 employees worldwide (2016: approximately 24,000) participated in the *plus* share program.

BASF offers senior executives the opportunity to participate in a share price-based compensation program. This longterm incentive (LTI) program ties a portion of their annual variable compensation to the longterm performance of BASF shares by making an individual investment in the company's stock. In 2017, 92% of the approximately 1,200 people eligible to participate in the LTI program worldwide did so, investing up to 30% of their variable compensation in BASF shares.

For more information, see the Notes to the Consolidated Financial Statements from page 231 onward

Personnel expenses

In 2017, the BASF Group spent €10,610 million on wages and salaries, social security contributions and expenses for pensions and assistance (2016: €10,165 million). Personnel expenses thus rose by 4.4%. As well as wage and salary increases, this was primarily attributable to a higher average headcount following the acquisition of Chemetall. The partial release of provisions for the long-term incentive program and currency effects had an offsetting effect.

BASF Group personnel expenses (million €)

	2017	2016	Change in %
Wages and salaries	8,471	8,170	3.7
Social security contributions and expenses for pensions and assistance	2,139	1,995	7.2
Thereof for pension benefits	705	627	12.4
Total personnel expenses	10,610	10,165	4.4

For more information, see the Notes to the Consolidated Financial Statements from page 200 onward

¹ To calculate variable compensation, return on assets is adjusted for special effects.

Global Employee Survey

The BASF Group's Global Employee Survey is an important feedback tool and is used to actively involve employees in shaping their working environment. We have conducted the Global Employee Survey on a regular basis since 2008; the next one is scheduled for 2018. The results of the 2015 survey were presented to the Board of Executive Directors and the Supervisory Board. Employees and leaders in all regions then discussed the results and identified the necessary improvement measures. These related to topics such as supporting employees in their professional development, intensifying feedback, or supporting leaders and their teams in driving change and innovation.



Dialog with employee representatives

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and ongoing dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. If restructuring leads to staff downsizing, for example, we involve employee representatives to develop socially responsible implementation measures at an early stage. This is done in accordance with the respective legal regulations and the agreements reached. It is important to us that this dialog is based on the specific operational situation. For example, in 2017 we developed a qualification concept and derived qualification measures from this together with the employee representatives at the Ludwigshafen site to familiarize employees with new digital working practices in production and support the introduction of applications for mobile devices. By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal considerations for each site. The BASF Europa Betriebsrat (European Works Council) addresses cross-border matters in Europe. The Diálogo Social has established a platform for dialog in South America.

For more information, see basf.com/employeerepresentation

Global labor and social standards

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

As an integral part of society, we act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO). BASF is committed to upholding these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including external compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the global management process for the respect of international labor norms.

We completed the restructuring of our management process in 2017. A Group-wide guideline now sets out a BASF standard for compliance with international labor and social standards.¹ A compliance risk management process monitors its implementation. We completed a risk-based assessment of all the countries in which BASF operates by the end of 2017. In countries where the guideline cannot be readily implemented because of national laws, rules or practices, we will evaluate to what extent meaningful adaptations can be made within the scope of local requirements. A centralized due diligence system is used to regularly assess and document this information, as well as the set targets and measures to implement the guideline. Starting in 2018, the degree of compliance with the guideline in BASF Group companies will be reviewed using internal control processes such as compliance audits.

For more information on labor and social standards, see basf.com/labor_social_standards

For more information on global standards, see page 24

For more information on our sustainability-related risk management, see page 29

For more information on compliance, see page 135 onward



¹ The guideline provides concrete interpretations for the topics outlined in the global Code of Conduct under "Human Rights and International Labor Standards."