

Compensation Report

This report outlines the main principles of the compensation for the Board of Executive Directors and discloses the amount and structure of the compensation of each Board member. Furthermore, it provides information on end-of-service undertakings with respect to members of the Board of Executive Directors, as well as information on the compensation of Supervisory Board members.

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

Changes to the compensation system as of January 1, 2018

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

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


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

Principles and structure

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

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

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

 For more information on the Supervisory Board and its committees, see page 144 and from page 162 onward

Individual compensation components

1. Fixed salary

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

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

2. Performance bonus

Performance bonus

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

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

Overview of compensation components

1. Fixed salary

Annual amount	€800,000 ¹
Payment	In equal installments

2. Performance bonus

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

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

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

4. Fringe benefits

The annual amount corresponds to the value of nonmonetary compensation

5. Company pension benefits

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

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 performance bonus and the set limit on the gain from exercising the options granted must be reached.

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

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

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

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

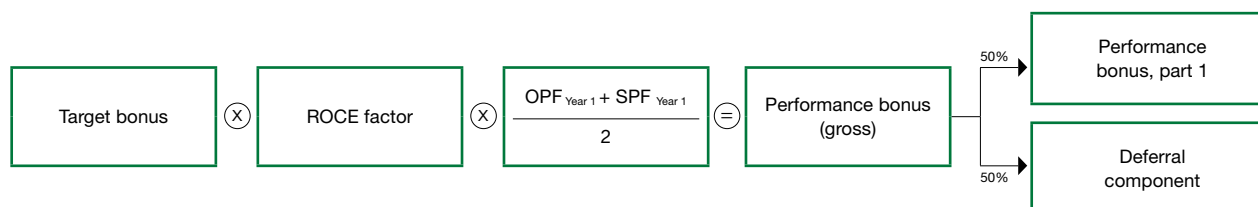
Target agreement and evaluation

Target agreement

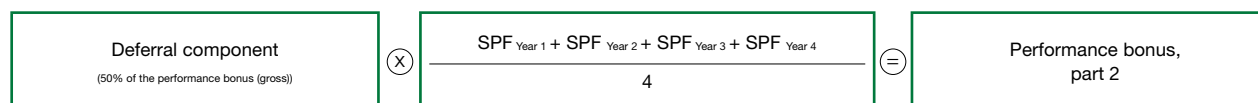
In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the Board of Executive Directors as a whole. The target agreement contains:

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

Schematic overview: performance bonus, part 1



Schematic overview: performance bonus, part 2



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

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

Determination of performance factors

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

Target achievement and performance factor

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

Values between these figures are interpolated

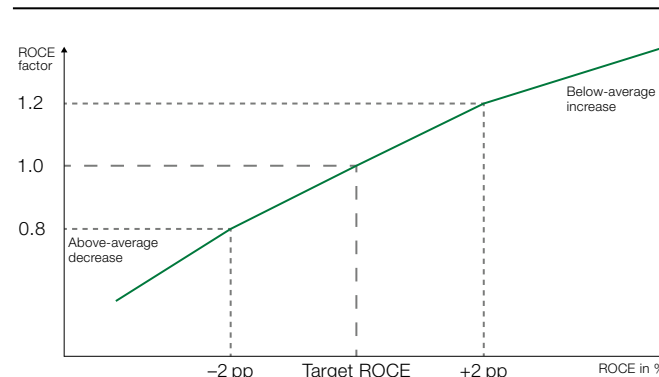
Determination of the ROCE factor

The ROCE of the particular financial year serves as the key performance indicator for the success of the company when determining the performance bonus. ROCE is the ratio of income from operations (EBIT) of the segments in relation to the average operating assets of the segments,¹ plus the customer and supplier financing not included there.

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

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

ROCE factor



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

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

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

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

Target agreement and target achievement in 2018

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

Operational performance factor (OPF₂₀₁₈):

The comparison of operational targets (see page 122 of the BASF Report 2017) with target achievement resulted in an operational performance factor (OPF₂₀₁₈) of 0.8:

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

Strategic performance factor (SPF₂₀₁₈):

The strategic targets were almost reached in the first year, which resulted in a strategic performance factor (SPF₂₀₁₈) of 0.9:

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

ROCE factor 2018:

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

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

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

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

LTI program

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

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

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

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

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

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

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

Due to the multiple-year exercise period, it can occur that exercise gains from several LTI program years accumulate inside of one year; there can also be years without any exercise gains.

For more information on share ownership by members of the Board of Executive Directors, see page 139

For more information on the LTI program, see page 114 and from page 263 onward

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

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

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

5. Company pension benefits

Board Performance Pension

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

As part of the pension benefits granted to the Board of Executive Directors (Board Performance Pension), company pension benefits are intended to accrue annual pension units, the amount of which depends on the company's success and the performance of the Board of Executive Directors as a whole in the business year concerned. The method used to determine the amount of the pension benefits generally corresponds to that used for all other senior executives of the BASF Group in Germany. The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed salary above the Social Security Contribution Ceiling by 32% (fixed pension component).

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

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

The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit in the event of a claim.

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

The pension units also include survivor benefits. Upon the death of an active or former member of the Board of Executive Directors, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans and 20% each for three or more orphans of the pension entitlement of the deceased (former) Board member. Total survivor benefits may not exceed 75% of the Board member's pension entitlement. If the survivor pensions exceed the upper limit, they will be proportionately reduced.

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes of the BASF Pensionskasse VVaG and the General Conditions of Insurance.

Withholding and clawback clause

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

Amount of total compensation

The tables on pages 154 to 156 show the granted and allocated compensation as well as service cost of each member of the Board of Executive Directors in accordance with section 4.2.5(3) of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

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

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

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

The table "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" shows: fixed salary, fringe benefits, annual variable target compensation/performance bonus, LTI program measured at fair value as of the grant date and service cost. The individual compensation components are supplemented by individually attainable minimum and maximum compensation.

Furthermore, a reconciliation statement for total compensation to be reported is provided below the table "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" due to the disclosures required by section 314(1) no. 6a of the German Commercial Code (HGB) in connection with the German Accounting Standard 17 (GAS 17).

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

Thousand €

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

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/or 2018 and tax back payments for previous years arising in connection with transfers.

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

Thousand €

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

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.

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

The "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)" shown for 2017 and 2018 comprises the fixed and variable compensation components actually allocated, plus the service cost calculated for each member of the Board of Executive Directors in the reporting years even though this does not actually represent payment in the narrower sense.

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

Thousand €

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

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

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

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

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

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

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

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

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

Number of options granted

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

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

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

The expenses and income reported below are purely accounting figures that do not equate with the actual gains should options be exercised. Each member of the Board of Executive Directors may decide individually on the timing and scope of the exercise of options of the LTI programs, while taking into account the terms and conditions of the program.

The outstanding option rights held by the members of the Board of Executive Directors resulted in the following income and expenses in 2018: Dr. Martin Brudermüller: income of €4,170 thousand (2017: income of €604 thousand); Dr. Hans-Ulrich Engel: income of €3,821 thousand (2017: income of €1,300 thousand); Saori Dubourg: expense of €12 thousand (2017: expense of €8 thousand); Sanjeev Gandhi: income of €185 thousand (2017: expense of €178 thousand); Michael Heinz: income of €2,636 thousand (2017: income of €226 thousand); Dr. Markus Kamieth: expense of €13 thousand (2017: expense of €26 thousand); Wayne T. Smith: income of €1,602 thousand (2017: income of €35 thousand).

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

For more information on the LTI program, see page 114 and from page 263 onward

Pension benefits

The values for service cost incurred in 2018 contain service cost for BASF Pensionskasse VVaG and Board Performance Pension. Service cost for the members of the Board of Executive Directors is shown individually in the tables "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" and "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)."

The present value of pension benefits (defined benefit obligation) is an accounting figure for the entitlements that the Board members have accumulated in their years of service at BASF. The table below shows the defined benefit obligations for the pension entitlements accrued until the end of 2018 (as of December 31 in each case):

Thousand €

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

End-of-service benefits

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

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

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

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

Former members of the Board of Executive Directors

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

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

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

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

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

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary €200,000¹
- 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
- No additional compensation is paid for the Nomination Committee

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.

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

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

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

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The directors' and officers' liability insurance (D&O insurance) concluded by the company covers the duties performed by the members of the Supervisory Board. This policy provides for the level of deductibles for the Supervisory Board as recommended in section 3.8(3) of the German Corporate Governance Code (GCGC).

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

Compensation of the Supervisory Board of BASF SE

Thousand €

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

¹ Chairman of the Personnel Committee² Chairman of the Strategy Committee³ Member of the Personnel Committee⁴ Vice Chairman of the Strategy Committee⁵ Member of the Personnel and Strategy Committees until May 4, 2018⁶ Member of the Audit and Strategy Committees until May 4, 2018⁷ Chairman of the Audit Committee⁸ Member of the Audit Committee⁹ Member of the Strategy Committee

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

In 2018, as in 2017, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF 38,400 (2018: approximately €33,200; 2017: approximately €34,500) for consulting work in the area of chemical research based on a consulting contract approved by the Supervisory Board. Beyond this, no other Supervisory Board members received any compensation in 2018 for services rendered personally, in particular, the rendering of advisory and agency services.

For more information on share ownership by members of the Supervisory Board, see page 139