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Corporate Governance

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Corporate Governance Report

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 ensures that BASF is managed and supervised responsibly with a focus on value creation. It fosters the confidence of our investors, the financial markets, our customers and other business partners, employees, and the public in BASF.

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

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 Board of Executive Directors' activities 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 analyzes 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.

The Statutes of BASF SE and the Supervisory Board have defined 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 133 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 from page 159 onward

Compensation of the Board of Executive Directors is described in detail in the Compensation Report from page 169 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 corporate 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

Two-tier management system of BASF SE



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. In May 2018, this was reduced from eight to seven members in the course of the changes to the composition of the Board of Executive Directors, and again in January 2020 to six members as part of ongoing efficiency measures. 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.

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 statutory gender quota for the Supervisory Board. 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 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. It is planned to reduce the period of appointment for the members of the Supervisory Board from five to four years. The aim is to ensure that the maximum membership duration up to which a Supervisory Board member can be classified as independent continues to correspond to a total of three election terms. The Supervisory Board reduced this duration from 15 to 12 years in accordance with the new version of the German Corporate Governance Code, which was revised in 2019 (2020 Code). A change to the Statutes to this effect will be proposed to the Annual Shareholders' Meeting 2020.

The meetings of the Supervisory Board and its committees are called by their chairpersons and, independently, at the request of one of their members or the Board of Executive Directors. The shareholder and employee representatives of the Supervisory Board prepare for Supervisory Board meetings in separate preliminary discussions in each case. 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, especially with its chairman, outside of meetings as well.

BASF SE's Supervisory Board has established a total of four Supervisory Board Committees: the Personnel Committee, the Audit Committee, the Nomination Committee and the Strategy Committee.

[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 from page 160 onward](#)

[The compensation of the Supervisory Board is presented in the Compensation Report from page 174 onward](#)

[The Statutes of BASF SE and the Employee Participation Agreement can be found at \[basf.com/statutes\]\(http://basf.com/statutes\) and \[basf.com/en/corporategovernance\]\(http://basf.com/en/corporategovernance\)](#)

Personnel Committee

Members

Dr. Jürgen Hambrecht (chairman), Michael Diekmann (until May 3, 2019), Franz Fehrenbach (since May 3, 2019), Sinischa Horvat, 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 long-term 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), Tatjana Diether, Franz Fehrenbach (until February 29, 2020), Anke Schäferkordt (since March 1, 2020), 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, evaluates the quality of the audit, and establishes the conditions for the provision of the auditor's nonaudit services; the chairman of the Audit Committee regularly discusses this with the auditor outside of meetings as well
- Deals with follow-up assessments of acquisition and investment projects
- 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.

Nomination Committee

Members

Dr. Jürgen Hambrecht (chairman), Prof. Dr. François Diederich (until May 3, 2019), Prof. Dr. Thomas Carell (since May 3, 2019), Dame Alison Carnwath DBE, Michael Diekmann (until May 3, 2019), Dr. Alexander C. Karp (since May 3, 2019), 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), Dame Alison Carnwath DBE, Michael Diekmann (until May 3, 2019), Franz Fehrenbach (since May 3, 2019), Waldemar Helber, Sinischa Horvat, 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 2019 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 once.

With the exception of one meeting, at which one member was absent, all respective members attended all meetings of the Supervisory Board. With the exception of the meeting of the Nomination Committee, at which one member was absent, all respective

members attended all meetings of the Supervisory Board's committees.

[For more information on the Supervisory Board's activities and resolutions in the 2019 business year, see the Report of the Supervisory Board from page 176 onward](#)

[For an individual overview of meeting attendance, see \[basf.com/supervisoryboard/meetings\]\(https://basf.com/supervisoryboard/meetings\)](#)

The Supervisory Board's Rules of Procedure and its committees can be found at basf.com/supervisoryboard

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 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 in the version dated February 7, 2017, and section 289f(2) no. 6 of the German Commercial Code (HGB). These were expanded on December 19, 2019, in particular with respect to the criteria for assessing independence, based on the new recommendations of the German Corporate Governance Code, which was revised and amended in 2019 (2020 Code). 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 at 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 innovation, research & development and technology
- 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, society, communications and the media
- Specialist knowledge and experience in sectors outside of the chemical industry

📄 For more information on the Supervisory Board's competence profile, see basf.com/supervisoryboard

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 must be complied with 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 three regular statutory periods in office; this currently corresponds to 15 years.
- **Independence:** To ensure the independent monitoring and consultation of the Board of Executive Directors, the Supervisory Board should have an appropriate number of independent members on the board as a whole, and an appropriate number of independent shareholder representatives. The Supervisory Board deems this to be the case if more than half of the shareholder representatives and at least eight members of the Supervisory Board as a whole can be considered independent. Effective immediately, the Supervisory Board's assessment of independence is based on the criteria in the new version of the German Corporate Governance Code, which was revised in 2019 (2020 Code). Among other things, this means that a member of the Supervisory Board is no longer considered independent if they have been a member of the board for 12 years or longer. The previous threshold was a membership duration of 15 years. 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. Material transactions between a Supervisory Board member or a related party or undertaking of the Supervisory Board member on the one hand, and BASF SE or a BASF Group company on the other, exclude a member of the Supervisory

Board from being qualified as independent. A material transaction is defined as one or more transactions in a single calendar year with a total volume of 1% or more of the sales of the companies involved in each case. In the same way, if a Supervisory Board member or a related party of a Supervisory Board member has a personal service or consulting agreement with BASF SE or one of its Group companies with an annual compensation of over 50% of the Supervisory Board compensation, or a Supervisory Board member or a related party of a Supervisory Board member holds more than 20% of the shares in a company in which BASF SE is indirectly or directly the majority shareholder, they likewise do not qualify as independent.

Status of implementation

According to the Supervisory Board's own assessment, its current composition meets all of the requirements of the competence profile. With the election of the new Supervisory Board member Alexander C. Karp at the Annual Shareholders' Meeting 2019, the competence area of digitalization – which is key to the future viability of BASF – is now also fully covered.

According to the Supervisory Board's assessment, 11 of the 12 current members are considered independent based on the above criteria. Only one Supervisory Board member is no longer classified as independent: Franz Fehrenbach has been a member of the Supervisory Board since January 2008 and thus no longer meets the newly applied criterion of a membership duration of less than 12 years as of January 2020. To continue to ensure the full independence of the Audit Committee, the Supervisory Board therefore resolved to appoint Anke Schäferkordt to the Audit Committee as the second shareholder representative in place of Franz Fehrenbach, effective March 1, 2020.

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

The independent Supervisory Board members are named under Management and Supervisory Boards from page 159 onward

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

The supervisory board of a publicly listed European stock corporation (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% women and 30% men. Since the 2018 Annual Shareholders' Meeting, the Supervisory Board of BASF SE comprises four women, of whom two are shareholder representatives and two are employee representatives, and eight men; its composition meets the statutory requirements.

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. This represented 12.5% on the date the target was set (based on eight members of the Board of Executive Directors), and represents 16.7% as of January 1, 2020 (based on six Board members). 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 2019. 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.

- 🔗 For more information on women in leadership positions in the BASF Group worldwide, see page 27
- 🔗 For more information on the inclusion of diversity, including promotion of women, see the chapter on Employees in the Management's Report on page 128
- 🔗 The November 2015 Employee Participation Agreement relevant to the composition of the Supervisory Board is available at basf.com/en/corporategovernance

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, resolves 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. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-

appointed proxies until the end of the agenda discussion during the Annual Shareholders' Meeting. 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

- BASF SE follows all recommendations of German Corporate Governance Code

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company. BASF SE follows all of the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, the version in force on submission of the Declaration of Conformity. The additional recommendations of the new German Corporate Governance Code, which was revised in 2019 and is still to be published in the Federal Gazette (Bundesanzeiger) (2020 Code), are likewise largely already met. The remaining necessary implementation measures have already been initiated. In the same manner, BASF follows nearly all of the nonobligatory suggestions of both of the above versions of the German Corporate Governance Code. 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 2019 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 183

For more information on the Declaration of Conformity 2019, the implementation of the Code's suggestions and the German Corporate Governance Code, see basf.com/en/corporategovernance

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, 2019, 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 and 85 AktG as well as Article 7 of the Statutes of BASF SE. 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. As a general rule, the initial term of appointment for Board members at BASF is three years. Reappointments are permissible. The Supervisory Board can dis-

miss 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 by the Annual Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

According to Article 59(1) of the 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, 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 on 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 authorized capital.

By way of a resolution of the Annual Shareholders' Meeting on May 3, 2019, the Board of Executive Directors is authorized, with the consent of the Supervisory Board, to increase, until May 2, 2024, on a one-off basis or in portions on a number of occasions, the company's share capital by a total of up to €470 million by issuing new shares against contributions in cash or in kind (authorized capital). A right to subscribe to the new shares shall be granted to shareholders. This can also be achieved 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 10% 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 does not exceed 10% of the shares currently in issue or, in eligible 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 in issue 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 retire the shares bought back and to reduce the share capital by

the proportion of the share capital accounted for by the retired shares.

Bonds issued by BASF SE grant the bearer the right to request early repayment of the bonds at nominal value if, after the date of issue of the bond, one person – or several persons acting together – hold or acquire a volume of BASF SE shares that 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 of 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 172). 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. This change of control compensation will no longer be awarded to outgoing members of the Board of Executive Directors effective January 1, 2020, with the introduction of the amended compensation system for the Board of Executive Directors, which will be submitted for approval to the Annual Shareholders' Meeting on April 30, 2020.

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 a change of control event, 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/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 in the version dated February 7, 2017 (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 Board¹

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 2019, a total of 26 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 three and 10,000

BASF shares or BASF ADRs. The price per share was between €56.85 and €68.21. The volume of the individual trades was between €188.31 and €585.500. The disclosed share transactions are published on BASF SE's website.

For more information on securities transactions reported in 2019, see basf.com/en/directorsdealings. An overview of the BASF shares held by individual members of the Board of Executive Directors can be found at basf.com/shares-held

Information on the auditor

The Annual Shareholders' Meeting of May 3, 2019, 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 2019 business year, as well as the 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 issued 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 €0.9 million in 2019. This represents around 4.6% of the fees for auditing the financial statements.

For more information, see Note 33 to the Consolidated Financial Statements on page 288

¹ Obligatory reportable and publishable directors' dealings under Article 19(1) of the E.U. Market Abuse Regulation 596/2014 (MAR)

Compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. 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

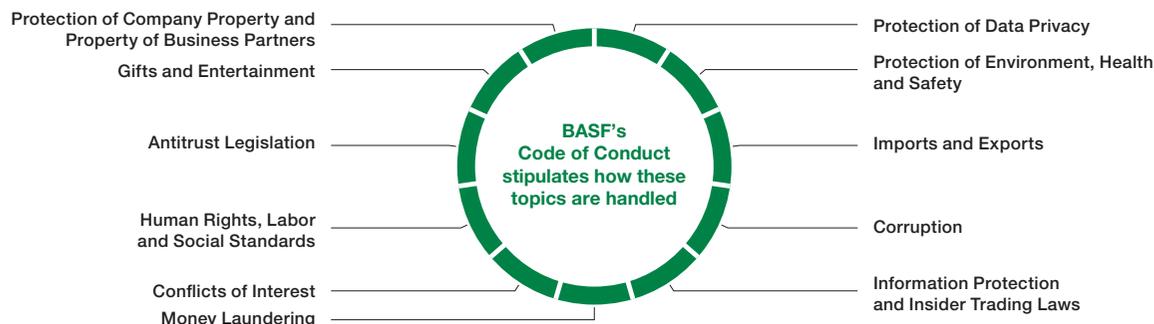
- Integrated into corporate values
- Regular compliance training for employees

BASF's Compliance Program is based on our corporate values and voluntary commitments, as well as international standards. It describes our commitment to responsible conduct and expectations around how all BASF employees interact with business partners, officials, colleagues and the community. 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 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 also been embedded in our values. 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

BASF's Code of Conduct



conducted at divisional, regional and country levels. The regular compliance audits performed by the Corporate Audit department are another source for the systematic identification of risks. These risks are documented in the relevant 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. Training senior executives is a particular focus. For instance, all newly appointed senior executives attend mandatory classroom training. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In total, more than 55,000 participants worldwide received around 64,000 hours of compliance training in 2019.

For more information on the BASF Code of Conduct, see [basf.com/code_of_conduct](https://www.basf.com/code_of_conduct)

Code of Conduct
forms core of our Compliance Program

More than 55,000
Participants in compliance training

86 internal audits
conducted on compliance

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 compliance standards, which were consolidated in our global Code of Conduct in 2013, these are firmly established and recognized. 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. The CCO 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. 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 potential 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 2019, 408 calls and emails were received by our external hotlines (2018: 397). The information received related to all categories of our Code of Conduct, including environmental and human rights issues, corruption and handling of company property. We carefully investigated all cases of suspected misconduct that came to our attention and took countermeasures on a case-by-case basis. These included, 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. In such isolated cases, we took disciplinary measures in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success. In 2019, violations of our Code of Conduct led to termination of employment in a total of 52 cases (2018: 48) across all employee groups including senior executives.

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 risks or preclude violations in the first place. In 2019, 86 Group-wide audits of this kind were performed (2018: 84). Our compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in November 2018. Overall, the audits confirmed the effectiveness of the compliance management system.

We monitor our business partners in sales for potential compliance risks based on the global Guideline on Business Partner Due Diligence using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If business partners are not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities, and whether there are business processes with business partners from or in countries under embargo.

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, too, 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 102 onward

🔗 For more information on human rights and labor and social standards, see [basf.com/human_rights](https://www.basf.com/human_rights)

Management and Supervisory Boards

Board of Executive Directors

There were seven members on the Board of Executive Directors of BASF SE as of December 31, 2019. As of January 1, 2020, the Board of Executive Directors comprises six members. The responsibilities within the Board have been reallocated.

Dr. Martin Bruder Müller

Chairman of the Board of Executive Directors

Degree: Chemistry, 58 years old, 32 years at BASF

Responsibilities until December 31, 2019: Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance; Corporate Technology & Operational Excellence; Innovation Management

Responsibilities since January 1, 2020: Corporate Legal, Compliance, Tax & Insurance; Corporate Development; Corporate Communications & Government Relations; Corporate Human Resources; Corporate Investor Relations

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

Dr. Hans-Ulrich Engel

Vice Chairman of the Board of Executive Directors

Degree: Law, 60 years old, 32 years at BASF

Responsibilities until December 31, 2019: Corporate Controlling; Corporate Audit; Finance; Catalysts; Coatings; Oil & Gas; Procurement & Supply Chain Services; Digitalization & Information Services

Responsibilities since January 1, 2020: Corporate Finance; Corporate Audit; Global Business Services; Global Digital Services; Global Procurement

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

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

Wintershall Dea GmbH, until April 30, 2019 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)

Saori Dubourg

Degree: Business, 48 years old, 23 years at BASF

Responsibilities until December 31, 2019: Agricultural Solutions; Construction Chemicals; Bioscience Research; Europe

Responsibilities since January 1, 2020: Agricultural Solutions; Care Chemicals; Nutrition & Health; Construction Chemicals; Bioscience Research; Europe

First appointed: 2017, **term expires:** 2025

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

Wintershall Dea GmbH (member of the Supervisory Board since May 1, 2019)

Sanjeev Gandhi (until December 31, 2019)

Degrees: Chemical Engineering, MBA, 53 years old, 26 years at BASF

Responsibilities until December 31, 2019: Intermediates; Petrochemicals; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

First appointed: 2014, **term expires:** December 31, 2019

Michael Heinz

Degree: MBA, 55 years old, 36 years at BASF

Responsibilities until December 31, 2019: Engineering & Technical Expertise; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

Responsibilities since January 1, 2020: Corporate Environmental Protection, Health & Safety; European Site & Verbund Management; Global Engineering Services; South America

First appointed: 2011, **term expires:** 2024

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

Wintershall Dea GmbH (member of the Supervisory Board since May 1, 2019)

Comparable German and non-German supervisory bodies:

BASF Antwerpen N.V. (Chairman of the Administrative Council)

Dr. Markus Kamieth

Degree: Chemistry, 49 years old, 21 years at BASF

Responsibilities until December 31, 2019: Care Chemicals; Dispersions & Pigments; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; South America

Responsibilities since January 1, 2020: Catalysts; Coatings; Dispersions & Pigments; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; Greater China; South & East Asia, ASEAN & Australia/New Zealand; Mega Projects Asia

First appointed: 2017, **term expires:** 2025

Comparable German and non-German supervisory bodies:

Solenis UK International Ltd. (member of the Board of Directors since February 1, 2019)

Wayne T. Smith

Degrees: Chemical Engineering, MBA, 59 years old, 16 years at BASF

Responsibilities until December 31, 2019: Monomers; Performance Materials; Process Research & Chemical Engineering; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America

Responsibilities since January 1, 2020: Monomers; Performance Materials; Petrochemicals; Intermediates; Process Research & Chemical Engineering; Market & Business Development, Site & Verbund Management North America; Country Platforms North America

First appointed: 2012, **term expires:** 2022

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 3, 2019, 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 on April 25, 2024. 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

Memberships of statutory supervisory boards in Germany:

Fuchs Petrolub SE³ (chairman until May 7, 2019)

Trumpf GmbH & Co. KG⁴ (chairman)

Daimler AG³ (member)

Daimler Truck AG³ (member since September 24, 2019)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises: none

Franz Fehrenbach, Stuttgart, Germany¹

Vice Chairman of the Supervisory Board of BASF SE

Chairman of the Supervisory Board of Robert Bosch GmbH

Member of the Supervisory Board since: January 14, 2008

Memberships of statutory supervisory boards in Germany:

Robert Bosch GmbH⁴ (chairman)

Stihl AG³ (vice chairman)

Linde AG³ (second deputy chairman until April 8, 2019)

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

Stihl Holding AG & Co. KG⁴ (member of the Advisory Board)

Linde plc³ (member of the Board of Directors)

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

Memberships of statutory supervisory boards in Germany:

none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

none

Prof. Dr. Thomas Carell, Munich, Germany*¹

Professor for Organic Chemistry at Ludwig Maximilian University Munich

Member of the Supervisory Board since: May 3, 2019

Memberships of statutory supervisory boards in Germany:

none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

none

Dame Alison Carnwath DBE, Exeter, England*¹

Senior Advisor Evercore Partners

Member of the Supervisory Board since: May 2, 2014

Memberships of statutory supervisory boards in Germany:

none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

Zurich Insurance Group AG³ (independent, non-executive member of the Board of Directors)

Zürich Versicherungs-Gesellschaft AG (subsidiary of Zurich Insurance Group AG)⁴ (independent, non-executive member of the Board of Directors)

BP plc³ (non-executive director)

PACCAR Inc.³ (independent member of the Board of Directors)

Coller Capital Ltd.⁴ (non-executive member of the Board of Directors)

Broadwell Capital Limited⁴ (non-executive member of the Board of Directors)

Tatjana Diether, Limburgerhof, Germany*²

Member of the Works Council of BASF SE, Ludwigshafen Site, and of the BASF Works Council Europe

Member of the Supervisory Board since: May 4, 2018

Memberships of statutory supervisory boards in Germany:

none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

none

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

Memberships of statutory supervisory boards in Germany:

none

Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:

none

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 153 for the criteria used to determine independence)

¹ Shareholder representative

² Employee representative

³ Publicly listed

⁴ Not publicly listed

Dr. Alexander C. Karp, Palo Alto, California*¹

CEO Palantir Technologies Inc.

Member of the Supervisory Board since: May 3, 2019**Memberships of statutory supervisory boards in Germany:**Axel Springer SE³ (member until December 31, 2019)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:**The Economist Newspaper Limited⁴ (non-executive director until November 28, 2019)**Anke Schäferkordt, Cologne, Germany*¹**

Member of the Supervisory Board

Member of the Supervisory Board since: December 17, 2010**Memberships of statutory supervisory boards in Germany:**Serviceplan Group Management SE,⁴ partner with unlimited liability of Serviceplan Group SE & Co. KG (member since July 1, 2019)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:**Wayfair Inc.³ (non-executive director since September 17, 2019)**Denise Schellemans, Brecht, Belgium*²**

Full-time trade union delegate

Member of the Supervisory Board since: January 14, 2008**Memberships of statutory supervisory boards in Germany:**
none**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**Roland Strasser, Riedstadt, Germany*²**

Regional Manager of the Rhineland-Palatinate/Saarland branch of IG BCE

Member of the Supervisory Board since: May 4, 2018**Memberships of statutory supervisory boards in Germany:**AbbVie Komplementär GmbH⁴ (member)V & B Fliesen GmbH⁴ (member)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**Michael Vassiliadis, Hannover, Germany*²**

Chairman of the Mining, Chemical and Energy Industries Union

Member of the Supervisory Board since: August 1, 2004**Memberships of statutory supervisory boards in Germany:**Steag GmbH⁴ (member)RAG Aktiengesellschaft³ (vice chairman)RAG Deutsche Steinkohle Aktiengesellschaft,⁴ merged with RAG Aktiengesellschaft on April 23, 2019 (vice chairman)Henkel AG & Co. KGaA³ (member)Vivawest GmbH⁴ (member)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**The following members left the Supervisory Board on May 3, 2019****Michael Diekmann, Munich, Germany¹**

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**Memberships of statutory supervisory boards in Germany:**Allianz SE³ (chairman)Fresenius Management SE⁴ (member)Fresenius SE & Co. KGaA³ (vice chairman)Siemens AG³ (member)**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none**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**Memberships of statutory supervisory boards in Germany:**
none**Memberships of comparable domestic and foreign supervisory bodies of commercial enterprises:** none

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board (see page 153 for the criteria used to determine independence)

¹ Shareholder representative² Employee representative³ Publicly listed⁴ Not publicly listed

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. At its meeting on December 19, 2019, the Supervisory Board resolved to amend the existing compensation system for the Board of Executive Directors. The amendments also meet the changed requirements from the 2020 fiscal year onward arising from the German Act Implementing the Second E.U. Shareholder Rights Directive (ARUG II), which entered into force on January 1, 2020, and from the German Corporate Governance Code (GCGC) in the version dated December 16, 2019, which was submitted to the German Federal Ministry of Justice on January 23, 2020, for review and publication in the Federal Gazette (Bundesanzeiger).

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. DAX companies in Germany and globally operating companies in the rest of Europe¹ serve as an external reference. For internal comparison, the compensation of senior executives and employees of BASF SE is considered in total as well as over time.

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

In 2019, 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 was within market range for the peer group (horizontal comparison). An assessment of the compensation of an ordinary member of the Board of Executive Directors in relation to the compensation paid to the company's employees and senior executives (vertical comparison) did not provide any indications of inappropriate compensation, nor did an assessment of its development over time.

[For more information on the Supervisory Board and its committees, see page 160 and from page 178 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 has been €800,000 since January 1, 2017. The fixed salary for the chairman of the Board of Executive Directors is two 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 paid out after 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 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. ROCE is also the key performance indicator for the variable compensation of all employees. The target ROCE for the variable compensation is one percentage point above the cost of capital percentage for the fiscal year, which is determined using the weighted average cost of capital (WACC) approach in accordance with the Capital Asset Pricing Model. 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 as a whole.

[For more information on the determination of the cost of capital percentage, see Value-Based Management on page 30](#)

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

For each fiscal 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 (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).

Overview of compensation components

1. Fixed salary

Annual amount	€800,000 ^a
Payment	In equal installments

2. Performance bonus

Annual target	€1,600,000 ^a
Cap	€2,500,000 ^a
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 ^{a, b}
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

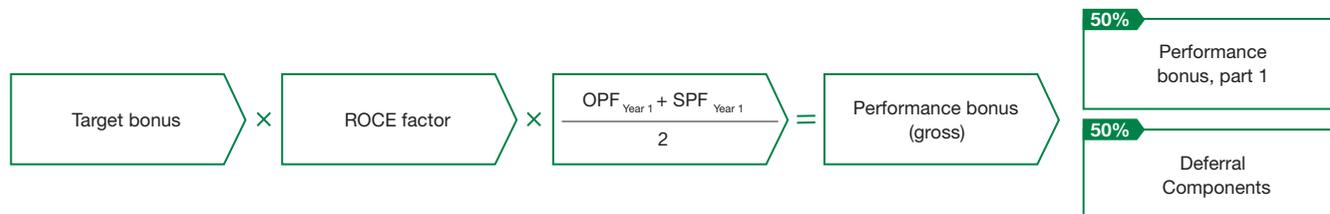
5. Company pension benefits

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

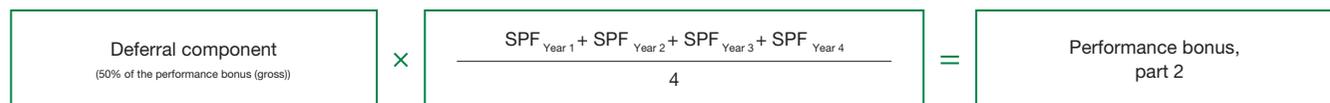
^a Amounts apply to an ordinary member of the Board of Executive Directors. The amount for the chairman of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chairman.
^b To reach the cap, a Board member must make the maximum individual investment based on the maximum performance bonus and the set limit on the gain from exercising the options granted must be reached.

Target agreement and evaluation

Schematic overview: performance bonus, part 1



Schematic overview: performance bonus, part 2



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 EBITDA before special items and sales
- 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 BASF corporate values

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

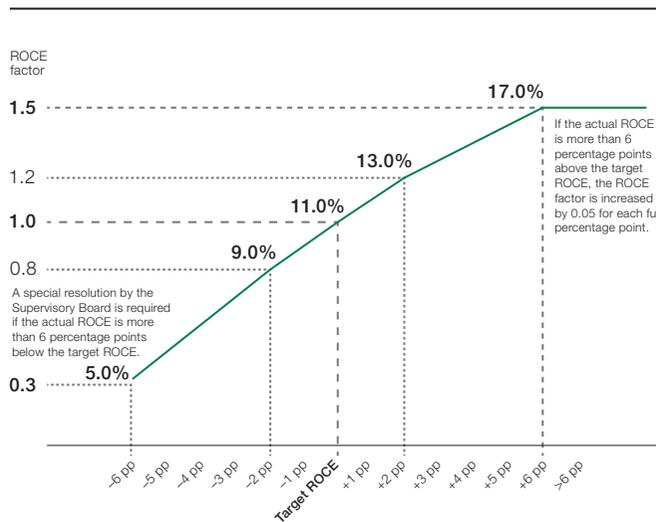
Determination of the ROCE factor

The ROCE of the particular fiscal 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, plus the customer and supplier financing not included there.

[For more information on operating assets, see Value-Based Management on page 30](#)

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

ROCE factor



The ROCE factor is 1.0 if the ROCE achieved in the fiscal year is one percentage point above the weighted cost of capital percentage (based on the 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 (for example, integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of plus or minus 1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

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 two times this value, and 1.33 times this value for the vice chairman.

Target agreement and target achievement in 2019

The performance bonus (gross) for 2019 was determined on the basis of target achievement as ascertained by the Supervisory Board and ROCE for the 2019 business year.

Operational performance factor (OPF₂₀₁₉):

The comparison of operational targets (see page 120 onward of the BASF Report 2018) with target achievement, taking into account the economic environment forecast at the beginning of the year and actual economic conditions, resulted in an operational performance factor (OPF₂₀₁₉) of 0.9:

- Sales did not meet the target of slight growth, mainly from higher sales volumes and portfolio effects.
- The target for EBIT before special items (slight increase) was not met.
- The target of generating a strong free cash flow as a basis for increasing the dividend was met.

In determining the operational performance factor, the Supervisory Board took into account the fact that only 50% of its expectations for the economic environment at the time the 2019 budget was adopted (see page 117 onward of the BASF Report 2018) were fulfilled.

Strategic performance factor (SPF₂₀₁₉):

Overall, the strategic targets were reached in 2019, resulting in a strategic performance factor (SPF₂₀₁₉) of 1.0:

- The volumes growth and Accelerator sales targets were not met.
- The employee engagement target was met despite comprehensive restructuring and portfolio measures.
- The targets on the share of investment in emerging markets, portfolio restructuring, leveraging synergies, and CO₂ equivalent emissions were exceeded.

For the 2018 performance bonus period (2018–2021), a strategic performance factor of 1.1 was determined in 2019 for the deferral component based on the targets agreed in 2018.

ROCE factor 2019:

The BASF Group's ROCE, which is used to determine compensation, was 7.7% in 2019. The target ROCE for 2019 was 11%, with the average cost of capital unchanged at 10%. Accordingly, the ROCE factor for 2019 was 0.6375.

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

Target amount 2019 performance bonus (2019–2022):	×	ROCE factor 2019:	×	$\frac{\text{OPF}_{2019} + \text{SPF}_{2019}}{2}$	=	Actual amount 2019 performance bonus (gross) (2019–2022):
€1,600,000		0.6375		$\frac{0.9 + 1.0}{2}$		€969,000

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 the BASF Group, with a small number of modifications. To take part in the program, each participant must prove an individual investment in BASF shares and hold the shares for this purpose for a defined period of time (holding period). The individual investment can amount to a maximum of 30% of the participant's performance bonus (gross) for the previous year. The members of the Board of Executive Directors are obligated to invest at least 10% of their individual performance bonus (gross) for the previous year in the LTI program each year (share ownership obligation). This mandatory investment is subject to a holding period of four years. For any further additional voluntary investment of up to 20% of the performance bonus (gross) for the previous year, the general holding period of two years applies.

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

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

- Performance threshold, right A: BASF share price increases at least 30% compared with the base price on the option grant date for the LTI program concerned. The value of right A is calculated as the difference between the market price of BASF shares on the exercise date and the base price on the option grant date. It is limited to 100% of the base price (cap). The base price for an LTI program is the volume-weighted average share price in Deutsche Börse AG's electronic trading system (Xetra) on the first trading day after the Annual Shareholders' Meeting of BASF SE in the year in which the LTI program is granted. The base price for the LTI program granted in 2019 was €68.21 (2018: €85.45).
- 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 two 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 156](#)

[For more information on the LTI program, see page 130 and from page 284 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 Richtttafeln, 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 169 to 171 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, 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				Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)			
	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)
Fixed salary	1,416	1,600	1,600	1,600	973	1,064	1,064	1,064	800	800	800	800	761 ^a	800 ^{a,d}	800 ^{a,d}	800 ^{a,d}
Fringe benefits	136	60	60	60	112	69	69	69	58	356	356	356	1,637 ^{b,c}	1,727 ^{b,c}	1,727 ^{b,c}	1,727 ^{b,c}
Total	1,552	1,660	1,660	1,660	1,085	1,133	1,133	1,133	858	1,156	1,156	1,156	2,398	2,527	2,527	2,527
One-year variable target compensation	1,416	1,600	0	2,500	973	1,064	0	1,663	800	800	0	1,250	800	800	0	1,250
50% of the 2018 performance bonus (2018–2021)	1,416	–	–	–	973	–	–	–	800	–	–	–	800	–	–	–
50% of the 2019 performance bonus (2019–2022)	–	1,600	0	2,500	–	1,064	0	1,663	–	800	0	1,250	–	800	0	1,250
Multiple-year variable compensation	2,303	2,346	0	6,253	1,640	1,577	0	4,244	1,130	1,001	0	2,263	1,467	1,221	0	3,371
50% of the 2018 performance bonus (2018–2021), deferral component	1,416	–	–	–	973	–	–	–	800	–	–	–	800	–	–	–
50% of the 2019 performance bonus (2019–2022), deferral component	–	1,600	0	2,500	–	1,064	0	1,663	–	800	0	1,250	–	800	0	1,250
LTI program 2018 (2018–2026)	887	–	–	–	667	–	–	–	330	–	–	–	667	–	–	–
LTI program 2019 (2019–2027)	–	746	0	3,753	–	513	0	2,581	–	201	0	1,013	–	421	0	2,121
Total	5,271	5,606	1,660	10,413	3,698	3,774	1,133	7,040	2,788	2,957	1,156	4,669	4,665	4,548	2,527	7,148
Service cost	1,111	573	573	573	626	366	366	366	1,029	704	704	704	789	510	510	510
Total compensation in accordance with GCGC	6,382	6,179	2,233	10,986	4,324	4,140	1,499	7,406	3,817	3,661	1,860	5,373	5,454	5,058	3,037	7,658
Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17																
Less granted 2018 performance bonus (2018–2021), (one-year component and deferral component)	(2,832)	–			(1,946)	–			(1,600)	–			(1,600)	–		
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral component)	–	(3,200)			–	(2,128)			–	(1,600)			–	(1,600)		
Plus allocated actual annual variable compensation (performance bonus, part 1)	1,251	969			860	644			707	485			707	485		
Less service cost	(1,111)	(573)			(626)	(366)			(1,029)	(704)			(789)	(510)		
Total compensation	3,690	3,375			2,612	2,290			1,895	1,842			3,772	3,433		

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

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

^c Fringe benefits include the payment of additional taxes for 2018 and/or 2019 and tax back payments for previous years arising in connection with transfers.

^d From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

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

Thousand €

	Michael Heinz				Dr. Markus Kamieth				Wayne T. Smith			
	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)
Fixed salary	800	800	800	800	800	800	800	800	888	800 ^{a, d}	800 ^{a, d}	800 ^{a, d}
Fringe benefits	34	36	36	36	41	46	46	46	165	340 ^b	340 ^b	340 ^b
Total	834	836	836	836	841	846	846	846	1,053	1,140	1,140	1,140
One-year variable target compensation	800	800	0	1,250	800	800	0	1,250	800	800	0	1,250
50% of the 2018 performance bonus (2018–2021)	800	–	–	–	800	–	–	–	800	–	–	–
50% of the 2019 performance bonus (2019–2022)	–	800	0	1,250	–	800	0	1,250	–	800	0	1,250
Multiple-year variable compensation	1,467	1,221	0	3,371	1,292	1,221	0	3,371	1,596	1,312	0	3,371
50% of the 2018 performance bonus (2018–2021), deferral component	800	–	–	–	800	–	–	–	800	–	–	–
50% of the 2019 performance bonus (2019–2022), deferral component	–	800	0	1,250	–	800	0	1,250	–	800	0	1,250
LTI program 2018 (2018–2026)	667	–	–	–	492	–	–	–	796	–	–	–
LTI program 2019 (2019–2027)	–	421	0	2,121	–	421	0	2,121	–	512	0	2,121
Total	3,101	2,857	836	5,457	2,933	2,867	846	5,467	3,449	3,252	1,140	5,761
Service cost	661	387	387	387	1,023	699	699	699	709	491	491	491
Total compensation in accordance with GCGC	3,762	3,244	1,223	5,844	3,956	3,566	1,545	6,166	4,158	3,743	1,631	6,252
Reconciliation reporting of total compensation pursuant to section 314(1) no. 6a HGB in connection with GAS 17												
Less granted 2018 performance bonus (2018–2021), (one-year component and deferral component)	(1,600)	–			(1,600)	–			(1,600)	–		
Less granted 2019 performance bonus (2019–2022), (one-year component and deferral component)	–	(1,600)			–	(1,600)			–	(1,600)		
Plus allocated actual annual variable compensation (performance bonus, part 1)	707	485			707	485			707	485		
Less service cost	(661)	(387)			(1,023)	(699)			(709)	(491)		
Total compensation	2,208	1,742			2,040	1,752			2,556	2,137		

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

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

c Fringe benefits include the payment of additional taxes for 2018 and/or 2019 and tax back payments for previous years arising in connection with transfers.

d From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

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

The "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)" presented 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 Bruder Müller 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		Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)		Michael Heinz		Dr. Markus Kamieth		Wayne T. Smith	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Fixed salary	1,416	1,600	973	1,064	800	800	761 ^c	800 ^{c-f}	800	800	800	800	888 ^c	800 ^{c-f}
Fringe benefits	136	60	112	69	58	356	1,637 ^{d,e}	1,727 ^{d,e}	34	36	41	46	165 ^d	340 ^d
Total	1,552	1,660	1,085	1,133	858	1,156	2,398	2,527	834	836	841	846	1,053	1,140
One-year variable compensation	1,251	969	860	644	707	485	707	485	707	485	707	485	707	485
2018 performance bonus (2018–2021), part 1 ^a	1,251	–	860	–	707	–	707	–	707	–	707	–	707	–
2019 performance bonus (2019–2022), part 1 ^a	–	969	–	644	–	485	–	485	–	485	–	485	–	485
Multiple-year variable compensation	–	–	1,401	–	–	–	–	–	–	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	1,401 ^b	–	–	–	–	–	–	–	–	–	–	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
LTI program 2014 (2014–2022)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	2,803	2,629	3,346	1,777	1,565	1,641	3,105	3,012	1,541	1,321	1,548	1,331	1,760	1,625
Service cost	1,111	573	626	366	1,029	704	789	510	661	387	1,023	699	709	491
Total compensation in accordance with GCGC	3,914	3,202	3,972	2,143	2,594	2,345	3,894	3,522	2,202	1,708	2,571	2,030	2,469	2,116

a 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).

b 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 in accordance with the special conditions of the U.S. LTI program.

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

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

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

f From the 2019 reporting year onward, the fixed salary is presented on the basis of the fixed salary (gross) in accordance with the Board member's contract.

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

Number of options granted

	2019	2018
Dr. Martin Brudermüller	44,024	33,892
Saori Dubourg	11,880	12,600
Dr. Hans-Ulrich Engel	30,268	25,484
Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)	24,880	25,484
Michael Heinz	24,880	25,484
Dr. Markus Kamieth	24,880	18,792
Wayne T. Smith	24,880	25,484
Total	185,692	167,220

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

In 2019, the option rights granted resulted in an expense. This expense refers to the total of all option rights from the LTI programs 2011 to 2019 and is calculated as the difference in the fair value of the option rights on December 31, 2019, compared with the fair value on December 31, 2018, considering the option rights exercised and granted in 2019. The fair value of the option rights is based primarily on the development of the BASF share price and its relative performance compared with the benchmark index, the MSCI World Chemicals Index.

The expenses reported below are purely accounting figures that do not equate with the actual gains should options be exercised. Each member of the Board of Executive Directors may decide individually on the timing and scope of the exercise of options of the LTI

programs, while taking into account the terms and conditions of the program.

The outstanding option rights held by the members of the Board of Executive Directors resulted in the following expenses in 2019: Dr. Martin Brudermüller: expense of €464 thousand (2018: income of €4,170 thousand); Dr. Hans-Ulrich Engel: expense of €339 thousand (2018: income of €3,821 thousand); Saori Dubourg: expense of €66 thousand (2018: expense of €12 thousand); Sanjeev Gandhi: expense of €790 thousand (2018: income of €185 thousand); Michael Heinz: expense of €334 thousand (2018: income of €2,636 thousand); Dr. Markus Kamieth: expense of €124 thousand (2018: expense of €13 thousand); Wayne T. Smith: expense of €298 thousand (2018: income of €1,602 thousand).

[For more information on the LTI program, see page 130 and from page 284 onward](#)

Pension benefits

The values for service cost incurred in 2019 contain service cost for BASF Pensionskasse VVaG and for the 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 2019 (as of December 31 in each case).

Thousand €	2019	2018
Dr. Martin Brudermüller	18,171	19,993
Saori Dubourg	6,983	5,067
Dr. Hans-Ulrich Engel	14,081	11,985
Sanjeev Gandhi (Member of the Board of Executive Directors until December 31, 2019)	4,824	4,586
Michael Heinz	15,201	12,735
Dr. Markus Kamieth	5,797	4,049
Wayne T. Smith	6,251	5,098
Total	71,308	63,513

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 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.

Sanjeev Gandhi stepped down from the Board of Executive Directors effective the end of December 31, 2019. Based on the termination agreement, non-compete compensation of €164,583 per month was agreed for a two-year, post-contractual non-compete obligation. Sanjeev Gandhi must have any other earnings deducted from this amount if the non-compete compensation and other earnings exceed €320,000 gross per month. The same also applies if the non-compete compensation and the other earnings together exceed a total of €7,680,000 gross within 24 months.

Amendment of the compensation system for the Board of Executive Directors as of January 1, 2020

Against the background of the new BASF corporate strategy and the changed regulatory requirements under the German Act Implementing the Second E.U. Shareholder Rights Directive (ARUG II), which entered into force on January 1, 2020, and the new version of the GCGC, the Supervisory Board resolved in its meeting on December 19, 2019, to amend the existing compensation system for the Board of Executive Directors. The changes to the compensation system are to become effective as of January 1, 2020, for all current members of the Board of Executive Directors and will be submitted for approval to the Annual Shareholders' Meeting on April 30, 2020, in accordance with section 120a(1) of the German Stock Corporation Act (AktG).

The amendments to the compensation system for the Board of Executive Directors relate to the following components:

- **One-year variable compensation/short-term incentive (STI):** The previous one-year component of the performance bonus program (performance bonus, part 1) will be continued in the form of an STI. Like the performance bonus, part 1, it will be based on the achievement of operational and strategic targets as well as the return on capital employed (ROCE) for the fiscal year, which is also relevant for the compensation of all employees.
- **Multiple-year variable compensation/long-term incentive (LTI):** The previous performance bonus, part 2, which was granted for multiple years (three-year deferral component), and the long-term share price-based compensation program will be replaced by a new LTI in the form of a performance share plan with growth, profitability and sustainability targets taken directly from the corporate strategy. An LTI plan with a term of four years will be granted for each fiscal year. The amount paid out depends on the achievement of strategic targets and the development of the total shareholder return (share price and dividends) over the four-year performance period.

- **Company pension benefits:** The previous performance pension, which was structured as a defined benefit plan, will be replaced by a new pension model. The members of the Board of Executive Directors can choose between a defined contribution plan with fixed annual contributions or a pension allowance of the same amount.
- **Share ownership obligation (share ownership guideline):** The individual investment in BASF shares required under the previous LTI program will be discontinued. In the future, members of the Board of Executive Directors will have an individual share ownership obligation that requires them to hold a given number of BASF shares during the term of their Board membership and for a limited period of time thereafter. The current members of the Board of Executive Directors already held a large number of shares prior to the date the share ownership obligation came into force.

 An overview of the BASF shares held by individual members of the Board of Executive Directors can be found at basf.com/shares-held

The previous withholding and clawback clause for the STI and LTI programs remains unchanged.

A comprehensive explanation of the amendments to the compensation system for the Board of Executive Directors will be published with the invitation to the 2020 Annual Shareholders' Meeting.

Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to €11.5 million in 2019 (2018: minus €5.5 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program, as well as the expense for 2019 relating to option rights that previous members of the Board still hold from the time of their active service period. The increase in total compensation was due to the fair value measurement of these option rights, which generated total expenses of €0.6 million in 2019. This generated income of €16.1 million in 2018, mainly due to the lower accounting valuation of the option rights due to the lower share price.

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

Million €	2019	2018
Retirement and surviving dependents' pensions	10.9	10.6
Income/expense from the fair value measurement of option rights	0.6	(16.1)
Total	11.5	(5.5)

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 €198.2 million (2018: €159.5 million).

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary: €200,000^a
- Share purchase and share holding component: 25% of the fixed compensation must be used to purchase shares in BASF; these shares must be held for the duration of membership on the Supervisory Board
- Compensation for committee memberships: €12,500^b; Audit Committee: €50,000^b
- No additional compensation is paid for the Nomination Committee

^a 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.

^b The amount for the chairman of a committee is two 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 two 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 2019 was around €3.3 million (2018: 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	
	2019	2018	2019	2018	2019	2018
Dr. Jürgen Hambrecht, Chairman ^{a, b}	500.0	500.0	50.0	50.0	550.0	550.0
Michael Diekmann, Vice Chairman until May 3, 2019 ^c	125.0	300.0	13.0	31.3	138.0	331.3
Franz Fehrenbach, Vice Chairman since May 3, 2019 ^{d, e}	266.7	200.0	66.6	50.0	333.3	250.0
Sinischa Horvat, Vice Chairman ^{f, g}	300.0	300.0	25.0	25.0	325.0	325.0
Ralf-Gerd Bastian, Supervisory Board member until May 4, 2018 ^h	–	83.3	–	26.0	–	109.3
Prof. Dr. Thomas Carell, Supervisory Board member since May 3, 2019	133.3	–	–	–	133.3	–
Dame Alison Carnwath DBE ^{g, i}	200.0	200.0	112.5	112.5	312.5	312.5
Prof. Dr. François Diederich, Supervisory Board member until May 3, 2019	83.3	200.0	–	–	83.3	200.0
Tatjana Diether, Supervisory Board member since May 4, 2018 ^j	200.0	133.3	50.0	33.3	250.0	166.6
Francesco Grioli, Supervisory Board member until May 4, 2018	–	83.3	–	–	–	83.3
Waldemar Helber ^k	200.0	200.0	12.5	8.3	212.5	208.3
Dr. Alexander C. Karp, Supervisory Board member since May 3, 2019	133.3	–	–	–	133.3	–
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	200.0	133.3	–	–	200.0	133.3
Michael Vassiliadis ^{d, f, g}	200.0	200.0	75.0	75.0	275.0	275.0
Total	2,941.6	2,933.2	404.6	411.4	3,346.2	3,344.6

^a Chairman of the Personnel Committee

^b Chairman of the Strategy Committee

^c Member of the Personnel Committee and Vice Chairman of the Strategy Committee until May 3, 2019

^d Member of the Audit Committee

^e Member of the Personnel and Strategy Committees since May 3, 2019

^f Member of the Personnel Committee

^g Member of the Strategy Committee

^h Member of the Audit and Strategy Committees until May 4, 2018

ⁱ Chairman of the Audit Committee

^j Member of the Audit Committee since May 4, 2018

^k Member of the Strategy Committee since May 4, 2018

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 2019 will be paid following the Annual Shareholders' Meeting on April 30, 2020, taking into account and applying the share purchase obligation.

In 2019, as in 2018, the company paid Prof. Dr. François Diederich, who retired from the Supervisory Board as of May 3, 2019, a total of CHF 38,400 (2019: approximately €34,500; 2018: approximately €33,200) 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 2019 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 156

Report of the Supervisory Board



Dear Shareholders,

Amid a difficult macroeconomic environment and a slowing global economy, the Supervisory Board addressed the following focus areas in 2019:

- The updated BASF corporate strategy and the target of CO₂-neutral growth
- Portfolio measures, in particular the sale of the global pigments and construction chemicals businesses
- The expansion of the global manufacturing footprint with the establishment of a new Verbund site in southern China, a C3 value chain in India and battery materials production in Europe
- Efficiency gains and the restructuring of the company's organization
- The simplification of the compensation system for the Board of Executive Directors

The Supervisory Board addressed its task of creating the best possible foundation for BASF's successful and sustainable growth with a sense of responsibility.

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

In 2019, 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. The Chairman of the Supervisory Board was always promptly and comprehensively informed of current developments and significant individual issues. The Supervisory Board was 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 2019 business year, these included authorizing:

- The divestiture of the global pigments business to the Japanese company DIC
- The sale of the construction chemicals business bundled in the Construction Chemicals division to Lone Star Funds

Supervisory Board meetings

The Supervisory Board held six meetings in the 2019 business year. With the exception of the constitutive meeting following the election of the Supervisory Board members at the Annual Shareholders' Meeting on May 3, 2019, which one member of the Supervisory Board was unable to attend, all members attended all Supervisory Board meetings in 2019. 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. In addition, each Supervisory Board meeting includes an agenda item that provides an opportunity for discussion without the Board of Executive Directors (executive session).

 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/supervisoryboard/meetings](https://www.basf.com/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, operational excellence and sustainability, developments on the capital markets, significant managerial measures taken by the Board of Executive Directors and innovation projects.

In all meetings, the Supervisory Board discussed the further development of the BASF Group's business activities through acquisitions, divestitures, transfers to joint ventures and investment projects. Discussions focused on:

- The sale of the global construction chemicals business bundled in the Construction Chemicals division
- The acquisition of Solvay's global polyamide business
- The merger and further development of the oil and gas businesses of BASF and LetterOne in a joint venture, Wintershall Dea
- The sale of the global pigments business

- The expansion of the battery materials business by establishing battery materials production including backward integration in Europe
- The progress of the investment project to establish a new Verbund site in southern China
- The investment in an acrylics value chain in India

At its meeting on February 21, 2019, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2018 business year as presented by the Board of Executive Directors. The Supervisory Board met prior to the Annual Shareholders' Meeting on May 3, 2019, primarily to prepare for the Annual Shareholders' Meeting.

The main agenda items at the meeting on July 23, 2019, were BASF's digitalization strategy and the carbon management program, including the challenges, perspectives and opportunities associated with these important future issues for BASF.

At the strategy meeting on October 21/22, 2019, the Board of Executive Directors and the Supervisory Board discussed the further development and implementation of BASF's corporate strategy at length. Key topics were:

- Opportunities and risks for BASF
- Competitiveness
- Customer focus
- Sustainability and innovation
- Digitalization
- Employees, organization and corporate culture
- Capital allocation, steering and portfolio development

Other consultation topics at the strategy meeting on October 21/22, 2019, were the status and development of the automotive strategy and the strategy for and opportunities and risks associated with battery materials.

At its meeting on December 19, 2019, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning including the investment budget for 2020, and as usual authorized the Board of Executive Directors to procure the necessary financing in 2020.

Composition and compensation of the Board of Executive Directors

In several meetings over the 2019 business year, the Supervisory Board discussed and passed resolutions on the composition of the Board of Executive Directors and its compensation.

Based on the preparations of the Personnel Committee, it discussed and agreed on the 2019 targets for the Board of Executive Directors at its meeting on February 21, 2019. At its meeting on December 19, 2019, the Supervisory Board evaluated, based on the discussions and recommendations of the Personnel Committee, the Board of Executive Directors' performance in 2019 and the degree of target achievement.

The focus of the Supervisory Board meeting on July 23, 2019, was the composition of the Board of Executive Directors and longer-term succession planning. In this meeting, the Supervisory Board extended Wayne T. Smith's appointment to the Board of Executive Directors, which ends on conclusion of the 2020 Annual Shareholders' Meeting, until the conclusion of the 2022 Annual Shareholders' Meeting, and extended the appointments of Saori Dubourg and Dr. Markus Kamieth to the conclusion of the 2025 Annual Shareholders' Meeting. Sanjeev Gandhi stepped down from the Board of Executive Directors early at his own request as of the end of December 31, 2019. In its meeting on October 21/22, 2019, the Supervisory Board addressed at length Sanjeev Gandhi's offer to resign his seat on the Board of Executive Directors early and the modalities of his departure and termination agreement, and agreed to his early retirement without severance pay. As part of the termination agreement, the Supervisory Board agreed with Sanjeev Gandhi on a post-contractual non-compete obligation with a term of two years and non-compete compensation. At the same time, the Supervisory Board reduced the number of members of the Board of Executive Directors from seven to six. Taking into account the company's new organization as of January 2020, the proposed changes to the distribution of responsibilities within the Board of Executive Directors were agreed to.

[For more information on the division of responsibilities within the Board of Executive Directors, see the Corporate Governance Report from page 159 onward](#)

In 2019, the Supervisory Board addressed at length the structure of the Board of Executive Directors' compensation going forward, based on the extensive preparatory work of the Personnel Committee. Discussions focused on the restructuring of both the short-term and the long-term variable compensation of the Board of Executive

Directors and Board members' pension benefits. The aim of the new system is to simplify the compensation of the Board of Executive Directors and further strengthen the focus on long-term business success. All of the requirements arising from the German Act Implementing the Shareholder Rights Directive and the new version of the German Corporate Governance Code are met. At its meeting on December 19, 2019, the Supervisory Board resolved the new compensation system for the members of the Board of Executive Directors and amended the provisions on compensation in the Board members' employment contracts accordingly. All members of the Board of Executive Directors agreed to the change to their employment contracts effective January 1, 2020. The Supervisory Board also resolved to submit the new compensation system to the Annual Shareholders' Meeting on April 30, 2020, for approval, and to have the compensation system for the Supervisory Board confirmed in unchanged form.

[For more information on the compensation of the Board of Executive Directors, see the Compensation Report on pages 162 to 174 and the notice convening the Annual Shareholders' Meeting on April 30, 2020, which will be published on March 19, 2020](#)

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 pages 151 to 152](#)

The **Personnel Committee** met four times during the reporting period. All committee members attended all meetings. At its meeting on February 21, 2019, the Personnel Committee discussed the targets for the Board of Executive Directors for the 2019 business year and the 2018 Compensation Report. A key topic at the meetings on July 23, October 21 and December 19, 2019, was the restructuring of the compensation system for the Board of Executive Directors. The counsel and recommendations of the Committee formed the basis for the resolution by the Supervisory Board on the compensation of the Board of Executive Directors and the amendments to the employment contracts. At its meeting on July 23, 2019, the Personnel Committee

addressed in particular the development of leadership at the top levels of management below the Board of Executive Directors and long-term succession planning for the Board of Executive Directors. In the meeting on December 19, 2019, it evaluated the performance of the Board of Executive Directors in the 2019 business year on the basis of the agreed targets.

The **Audit Committee** met five times during the reporting period. All committee members attended all meetings. The Audit Committee is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code.

At the meeting on February 25, 2020, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2019 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. In preparation for this audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Nonfinancial Statements and to issue an assurance report on it. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 22, 2019, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting – with the audit for the 2019 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 excluded in principle the engagement of the auditor to perform any services outside of the audit of the annual financial statements, including beyond prevailing legal limitations. For certain nonaudit services, the Audit Committee authorized the Board of Executive Directors to engage KPMG for such services to a very limited extent, or granted approval in individual cases. At the meeting on December 18, 2019, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system, and conducting follow-up assessments of acquisition and investment projects. The Audit Committee focused on the internal auditing system at the meeting on July 22, 2019, and compliance in the BASF

Group on December 18, 2019. 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 Supervisory Board members to be 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 competence profile and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met once in 2019. All but one committee member attended the meeting. Items discussed at the meeting were the existing competence profile and diversity concept for the Supervisory Board, potential candidates for election to the Supervisory Board in general and in the case of an unforeseen departure, as well as the assessment of the independence of the shareholder representatives on the Supervisory Board. A particular focus was the review and confirmation of the proposal to elect Dr. Kurt Bock in the Annual Shareholders' Meeting on April 30, 2020, to replace the current Chairman of the Supervisory Board Dr. Jürgen Hambrecht, who had announced on his election in 2019 his intention to leave the Supervisory Board after one year. Following this further review, the Nomination Committee continues to view Dr. Kurt Bock as the most suitable candidate to succeed Dr. Jürgen Hambrecht.

The **Strategy Committee** met once in 2019. The Committee was established to consult on strategic options for the further development of the BASF Group. All committee members attended the meeting. In the meeting, the Committee discussed the status of negotiations on the divestiture of the construction chemicals business and were informed of all material acquisition and divestiture projects.

Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2019, 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. An important topic of discussion here was the widely revised and restructured German Corporate Governance Code resolved by the German government in December 2019, and the translation of

the second E.U. Shareholder Rights Directive into German law. In addition, the competence profiles and diversity concepts adopted in 2017 for the Supervisory Board and the Board of Executive Directors were reviewed and confirmed.

[For more information on the competence profiles, diversity concepts and composition goals, see the Corporate Governance Report on page 150 and from page 152 onward](#)

In accordance with the recommendations of the German Corporate Governance Code and the Guiding principles for the dialog between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2019. In view of the 2020 Annual Shareholders' Meeting, the main topics were the changes to the compensation system for the Board of Executive Directors, as well as the successor to Dr. Jürgen Hambrecht, who will retire as Chairman of the Supervisory Board.

At its meeting of December 19, 2019, 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 (AktG). BASF complies with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, without exception. The Supervisory Board also resolved that, following its publication, the recommendations of the revised German Corporate Governance Code (2020 Code) are also to be complied with in the future. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

[The full Declaration of Conformity is rendered on page 183 and is available to shareholders on the company website at \[basf.com/en/corporategovernance\]\(https://basf.com/en/corporategovernance\)](#)

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. The Supervisory Board based the assessment of the independence of its members on the recommendations of the German Corporate Governance Code and the additional criteria for assessing the independence of Supervisory Board members contained in the Rules of Procedure of the Supervisory Board, which were revised in the Supervisory Board meeting on December 19, 2019. According to the Supervisory Board's assessment, all twelve members of the Supervisory Board are considered to be independent. The criteria used for this evaluation can be found in the Corporate Governance Report on

page 153. 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.

Contrary to previous practice, going forward, the Supervisory Board considers membership on the Supervisory Board for more than 12 years as a factor that precludes independence. Franz Fehrenbach reached this membership duration in January 2020, meaning that the Supervisory Board no longer considers him to be independent from this date onward. Beyond this limitation, however, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently. As a consequence of this change in assessed independence, the Supervisory Board resolved that Anke Schäferkordt is to replace Franz Fehrenbach on the Audit Committee as of March 1, 2020, to ensure that the shareholder representatives on the Audit Committee continue to solely be independent Supervisory Board members in the future.

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. This was again conducted in 2019, with the Chairman of the Supervisory Board holding individual dialogs with each Supervisory Board member using a structured questionnaire. Topics centered in particular on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; the quality of the information supplied by the Supervisory Board; the tasks, composition and work of the committees, and cooperation between shareholder and employee representatives. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented and thoroughly discussed at the Supervisory Board meeting on December 19, 2019. Overall, its members rated the Supervisory Board's activity as efficient.

Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2019 based on a written survey of the Committee members, which was conducted by the chairman of the Audit Committee using a detailed questionnaire. Material topic areas were the organization and content of the meetings, the quality of discussions, and the supply of information as the basis of the Committees' work. The Audit Committee discussed the results of the questionnaire at its meeting on December 18, 2019. It did not identify any need for change.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2019 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 Auditor's Report is rendered from page 187 onward](#)

[For more information on the auditor, see the Corporate Governance Report on page 156](#)

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 \[basf.com/nfs-audit-2019\]\(https://basf.com/nfs-audit-2019\)](#)

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 25, 2020, as well as the accounts meeting of the Supervisory Board on February 26, 2020, 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 25, 2020, 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 gave a detailed account of the preliminary review at the Supervisory Board meeting on February 26, 2020. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2019, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2019. 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 or the reports submitted.

At its accounts meeting on February 26, 2020, 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 2019 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 €3.30 per share.

Composition of the Supervisory Board

The Supervisory Board's election term ended on conclusion of the Annual Shareholders' Meeting on May 3, 2019. The long-serving shareholder representatives Prof. Dr. François Diederich and Michael Diekmann did not stand for re-election. As shareholder representatives, the Annual Shareholders' Meeting elected Prof. Dr. Thomas Carell and Dr. Alexander C. Karp, who were nominated for election for the first time, and the incumbent Supervisory Board members Dame Alison Carnwath DBE, Franz Fehrenbach, Dr. Jürgen Hambrecht and Anke Schäferkordt. The six employee representative were already elected without any changes to the current composition by the BASF Works Council Europe on November 21, 2018, in accordance with the Employee Participation Agreement. We would like to thank the now retired members of the Supervisory Board, Prof. Dr. François Diederich and Michael Diekmann, for many years of constructive and trust-based cooperation, and their considerable contributions to the success and further development of the company.

According to the Supervisory Board's assessment, the current members meet in full the objectives for the composition of the Supervisory Board with respect to the competence profile and the diversity concept.

[For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 153](#)

Thanks

The Supervisory Board wishes to thank all employees of the BASF Group worldwide and the management for their personal contribution in the 2019 business year.

Ludwigshafen, February 26, 2020

The Supervisory Board



Jürgen Hambrecht
Chairman of the Supervisory Board

Declaration of Conformity Pursuant to Section 161 AktG

Declaration of Conformity 2019 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
of the German Stock Corporation Act (AktG)**

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 have been complied with since the submission of the last Declaration of Conformity in December 2018.

Ludwigshafen, December 2019

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Declaration of Corporate Governance

Declaration of Corporate Governance in accordance with section 315d 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.