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Report on Item 7 of the Agenda (Compensation system for members of the Board of Executive Directors)

Report of the Board of Executive Directors of BASF SE to the Annual Shareholders' Meeting on June 18, 2020, on the compensation system for members of the Board of Executive Directors as of 2020

In regard to the Agenda Item 7, the Board of Executive Directors of BASF SE presents the following report:

With effect from January 1, 2020, the Supervisory Board of BASF SE decided to further develop and simplify the compensation system for the members of the Board of Executive Directors which was approved by the Annual Shareholders' Meeting on May 4, 2018. The overall target compensation remains essentially unchanged. The significant changes affect the variable compensation and the company pension benefits, which have been adapted in accordance with the provisions of the Implementing Act to the Second Shareholder Rights Directive (ARUG II) and the German Corporate Governance Code (GCGC) in the version dated February 7, 2017, as well as 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). The further developed and simplified compensation system has been part of the contracts of the members of the Board of Executive Directors since January 1, 2020.

The changes comprise in particular:

- The previous performance bonus, part 1, will be continued as short-term incentive (STI). Like the former performance bonus, part 1, the STI is based on the achievement of operational and strategic targets as well as the return on capital employed (ROCE), which is relevant for the compensation of all employees. The previous explicit differentiation between the operational performance factor (OPF) and the strategic performance factor (SPF) will cease to apply.
- The previous performance bonus, part 2, which was granted for multiple years (three-year deferral component), and the previous long-term incentive (LTI) program (BASF Options Program, BOP) will cease to exist and will be replaced by a new long-term incentive in the form of a Performance Share Plan with a fixed target amount.
- Members of the Board of Executive Directors will be obligated under a Share Ownership Guideline to hold a defined number of BASF shares during the term of their Board mandate and for a limited period of time thereafter.
- The previous company pension benefits for members of the Board of Executive Directors (Board Performance Pension, deferred compensation program and basic coverage under BASF Pensionskasse) will be discontinued as of January 1, 2020. Effective January 1, 2020, the company will instead offer members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model with a defined annual pension contribution amount.

Principles of the compensation system for members of the Board of Executive Directors

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 contribute to sustainable corporate development and the achievement of strategic corporate goals. It is marked by a pronounced variability in relation to the performance of the Board of Executive Directors as a whole (Gesamtvorstand) and the BASF Group's success. The amount of the variable compensation is derived from the achievement of operational and strategic goals as well as the development of the share price and the dividend of the BASF share (Total Shareholder Return). The long-term strategic goals communicated as part of BASF's strategy form the key performance indicators for the short-term and long-term variable compensation.

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. All DAX-listed companies as well as globally operating companies based in Europe serve as an external reference. During the last appropriateness review, carried out in 2019, the following companies were identified to make up the European peer group: 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. In particular, compensation of the group of senior executives and of the employees of BASF SE serves as an internal reference. The external and internal appropriateness is reviewed at regular intervals by independent external advisors.

The compensation system for the Board of Executive Directors is determined by the Supervisory Board based on the recommendation of the Personnel Committee. If needed, the Supervisory Board can call on external independent advisors. The Personnel Committee also prepares for the Supervisory Board's regular review of the system and amount of compensation for members of the Board of Executive Directors. If necessary, it recommends to the Supervisory Board that changes should be made. This is done in compliance with the provisions set out by the German Stock Corporation Act and the German Corporate Governance Code (GCGC) regarding the treatment of conflicts of interest. In the event of significant amendments, but at least every four years, the compensation system decided upon by the Supervisory Board is presented to the Annual Shareholders' Meeting for adopting advisory resolutions on the approval of the compensation system (say on pay).

In very exceptional cases (such as a severe economic crisis), the Supervisory Board can temporarily deviate from the components of the compensation system (procedures and rules on the compensation structure and amount as well as relating to the individual compensation components) for the Board of Executive Directors, if this is in the interest of the long-term well-being of the company. This compensation system for members of the Board of Executive Directors is applicable for all current service contracts for the Board of Executive Directors, the extension of these contracts as well as new contracts to be signed.

Overview of compensation components

As of January 1, 2020, the compensation system for the Board of Executive Directors contains the components listed in the following overview with the target and maximum amounts valid for the 2020 fiscal year:

Non-performance-related compensation	1. Fixed salary	Annual amount: €800,000 ¹ Payment in equal installments
	2. Fringe benefits	Annual target: €50,000 ² Cap: €100,000 ² ; corresponds to 200% of the annual target amount
	3. Company pension benefits	Annual target: €500,000 ¹ Fixed annual pension contribution.
Performance-related compensation	4. Short-Term Incentive (STI) with one-year performance period	Annual target: €1,000,000 ¹ Cap: €2,000,000 ¹ ; corresponds to 200% of the annual target amount Payment after the Annual Shareholders' meeting for the past fiscal year.
	5. Long-Term Incentive (LTI) Performance Share Plan with four-year performance period	Annual target: €1,400,000 ¹ Cap: €2,800,000 ¹ ; corresponds to 200% of the annual target amount Payment after the Annual Shareholders' meeting after the four-year performance period.

¹ Amounts apply to an ordinary member of the Board of Executive Directors. The amount for the chairman of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chairman.

² The amount represents the target or maximum amount for the 2020 fiscal year for regularly granted fringe benefits. If one-off fringe benefits and / or transfer-related fringe benefits are granted in individual cases, the maximum amounts specified for this also apply.

Components of the compensation system also include a withholding and clawback clause, which enables variable compensation components to be withheld and clawed back 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, as well as a Share Ownership Guideline, which obliges members of the Board of Executive Directors to hold a defined number of shares for the duration of their Board mandate and beyond.

The relative proportions of the individual compensation components in the target total remuneration of members of the Board of Executive Directors are:

Relative proportions of the compensation components in annual target total remuneration (in %)

Fixed salary	~ 21%
Regular fringe benefits	~ 1%
Pension contribution	~ 13%
Short-term incentive (STI)	~ 27%
Long-term incentive (LTI)	~ 38%
Target total remuneration	100%

In individual cases, slight deviations are possible due to rounding.

Individual compensation components:

1. Fixed salary

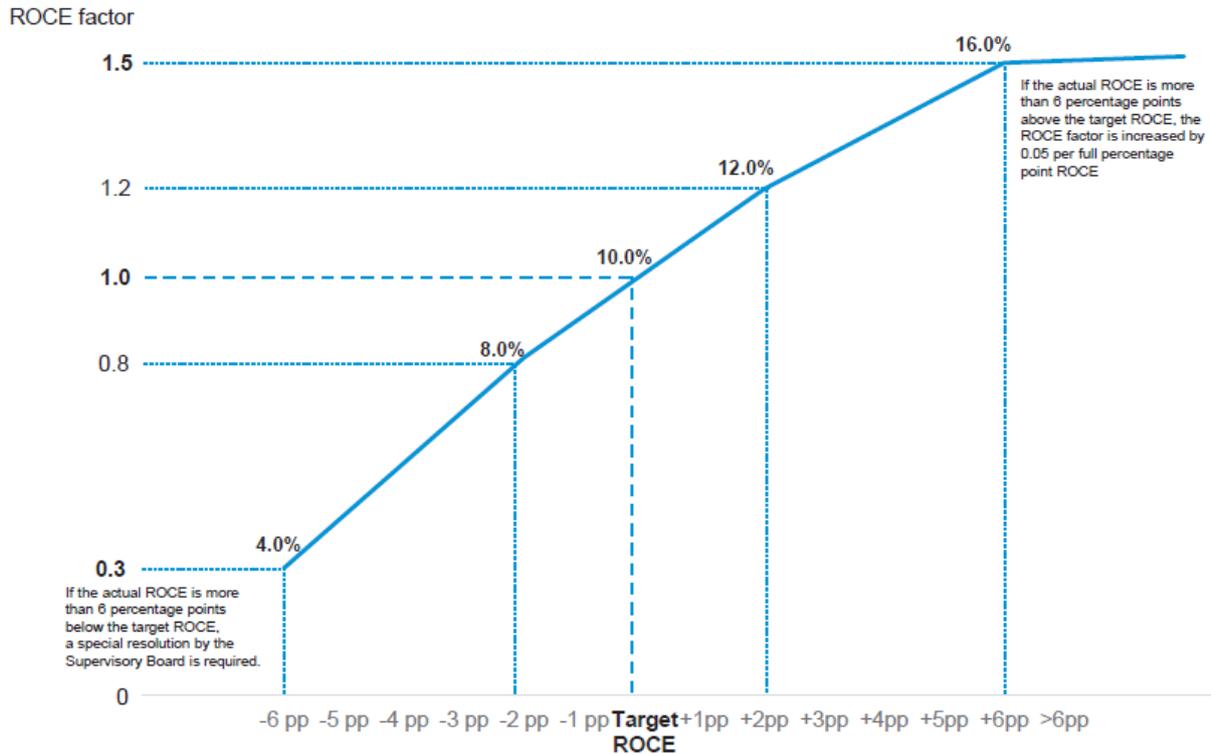
The fixed salary is a set amount of yearly compensation paid out in equal installments. The fixed salary for the chairman of the Board of Executive Directors is two times the value for an ordinary Board member, and 1.33 times this value for the vice chairman.

2. Short-term incentive (STI)

For each fiscal year, an STI with a one-year performance period is granted. The STI – like the previous performance bonus, part 1 – is based on the achievement of operational and strategic goals as well as the return on capital employed (ROCE), which is relevant for the compensation of all employees. The previous explicit differentiation between the operational performance factor (OPF) and the strategic performance factor (SPF) will cease to apply. The actual STI amount is paid out after the Annual Shareholders' Meeting in the following year.

With the ROCE as the key performance indicator for the variable compensation, the short-term variable compensation is directly linked to the company's operating success and aligned with the BASF Group's financial goal of earning a significant premium on the cost of capital. 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. ROCE is also the key performance indicator for the variable compensation of all employees. The target ROCE for the variable compensation remains unchanged at one percentage point above the cost of capital percentage for the fiscal year, which is determined using the WACC (weighted average cost of capital) approach in accordance with the Capital Asset Pricing Model. This target reflects the goal communicated as part of the corporate strategy of achieving a ROCE significantly above the cost of capital percentage every year. The target value is thus directly linked to the return expected by investors, which also serves as orientation for BASF Group's value-based management.

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.



For the fiscal year 2020, the target ROCE is 10 % with a cost of capital percentage of 9 %. This figure is reviewed and communicated annually.

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 and operational excellence targets. This includes, for example, EBIT before special items.
- One-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’s corporate values.

These targets are in line with the outlook published in the Forecast.

A performance factor with a value between 0 and 1.5 is determined on the basis of the target achievement ascertained by the Supervisory Board. A target achievement rate of 100 % equates to a value of 1.0 for the performance factor.

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.

The payout of the STI is determined as follows:



The payout is limited to 200 % of the target amount (cap).

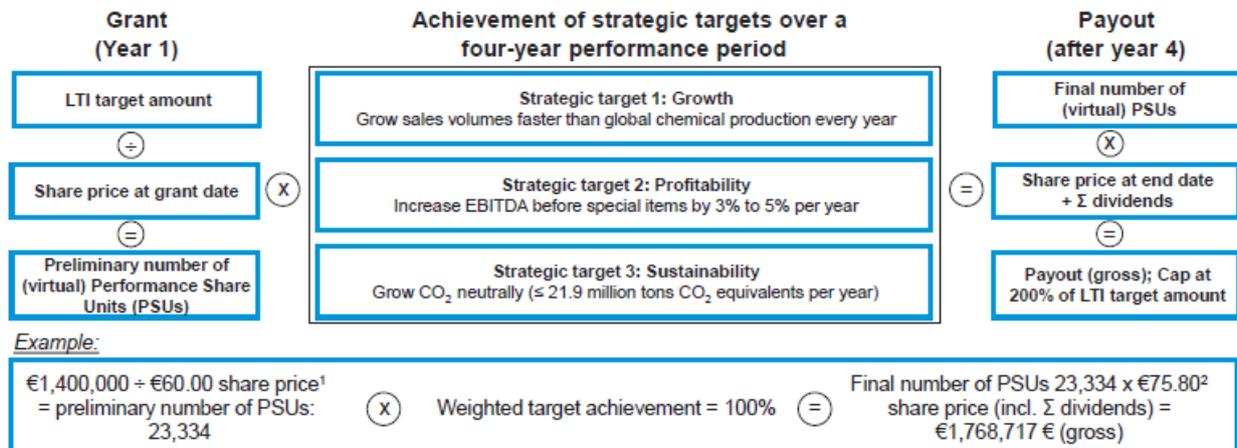
3. Long-term incentive (LTI)

The previous performance bonus, part 2, which was granted for multiple years (three-year deferral component), and the previous LTI program (BASF Options Program, BOP) are being discontinued and replaced by a new LTI in the form of a Performance Share Plan. The new LTI plan incentivizes the achievement of strategic goals and takes into consideration the development of the BASF share and dividend (Total Shareholder Return) over a period of four years. The new LTI will also be offered with slight variations to senior executives of the BASF Group.

Grant: For each fiscal year, an LTI plan with a four-year performance period will be granted. The target amount will be converted into a preliminary number of virtual performance share units (PSUs). To undertake this conversion, the target amount is divided by the average price of the BASF share in the fourth quarter of the year prior to the beginning of the respective plan.

Targets and target achievement: At the beginning of the four-year performance period, the Supervisory Board defines three strategic targets. Depending on the achievement of these three strategic targets over the four-year performance period, the number of PSUs can increase or decline. To determine this, the number of preliminary PSUs at the end of the four years is multiplied by the weighted target achievement rate for the three strategic targets.

Payout: The final number of PSUs determined in this way is multiplied by the average share price of the BASF share in the fourth quarter of the last year of the four-year performance period plus the cumulative dividend payments in the four fiscal years of the performance period. The payout amount of the LTI therefore reflects not only the achievement of the strategic targets but also the development of BASF's Total Shareholder Return. The actual LTI amount is paid out after the conclusion of the Annual Shareholders' Meeting in the year following the end of the four-year performance period. The payout is limited to 200 % of the target amount (cap).



1 Assumed average share price Q4 year before performance period.

2 Assumed average share price Q4 last year of performance period (€62.00) + ∑ dividends year 1 - 4 (€3.30 + €3.40 + €3.50 + €3.60).

Determination of target achievement: For each of the three strategic targets, at the beginning of the four-year performance period the Supervisory Board defines a target value, which corresponds to a target achievement of 100 %, as well as a minimal value, a maximum value and a target achievement curve.

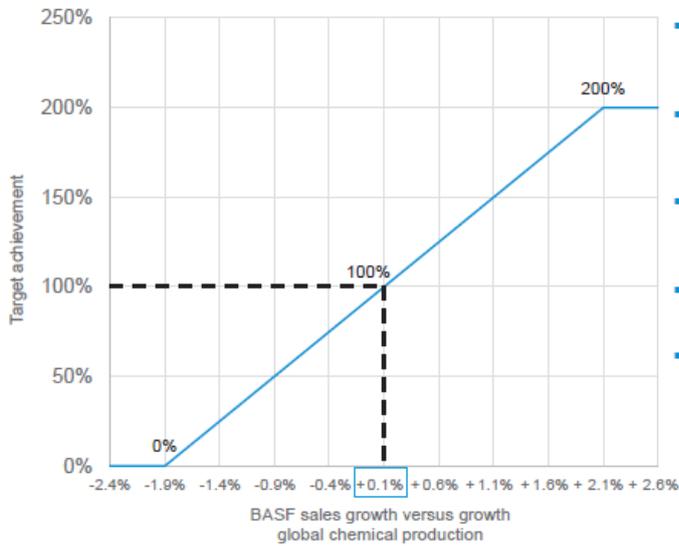
For each strategic target, the target achievement rate is determined on an annual basis. At the end of the four-year performance period, the arithmetic mean of the four annual target achievement rates is calculated. The resulting average target achievement rates for the individual strategic targets are combined according to the defined weighting to reach a weighted target achievement. The preliminary number of PSUs is multiplied by the weighted target achievement in order to determine the final number of PSUs.

For the LTI plan 2020 (performance period 2020-2023) the following targets as communicated by the BASF corporate strategy (see BASF Report 2019, page 27) apply:

- **Growth relative to global chemical production peer group:** Annual sales volumes grow faster than global chemical production
- **Profitability:** Increase EBITDA before special items by 3 % to 5 % per year
- **Sustainability:** CO₂ neutral growth until 2030, i.e., emissions no greater than 21.9 million metric tons of CO₂ equivalents per year

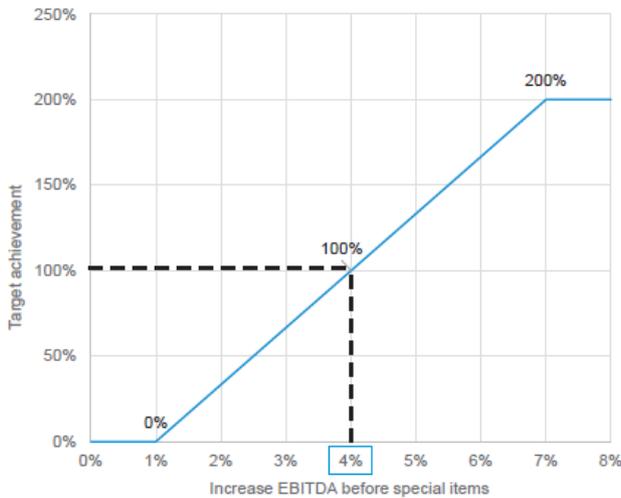
These targets are operationalized as follows:

**Strategic target 1:
Grow sales volumes faster than global chemical production every year**



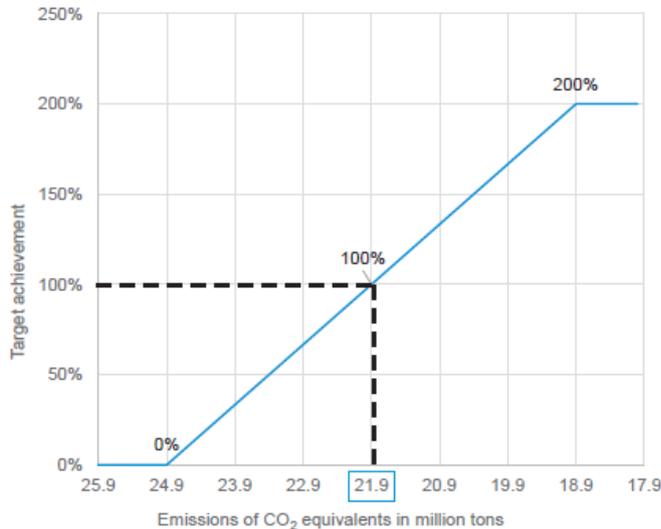
- The target is 100% achieved if BASF grows 0.1 percentage points faster than global chemical production (**target value**).
- If this target value is undercut by two percentage points or more, the target achievement is 0% (**minimum value**).
- If the target value is exceeded by two percentage points or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The target achievement for the performance period 2020 – 2023 is calculated as arithmetic mean of the degree of target achievements of each of the four years.

**Strategic target 2:
Increase EBITDA before special items by 3% to 5% per year**



- With an EBITDA before special items increase by 4% (i.e. in the middle of the communicated target corridor of 3% - 5%), the target achievement is 100% (**target value**).
- If EBITDA before special items increases by 1% or less, the target achievement is 0% (**minimum value**).
- If EBITDA before special items increases by 7% or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The starting point for setting the four-year targets is the EBITDA before special items in the year before the start of the four-year performance period.
- The target achievement for the performance period 2020 – 2023 is calculated as arithmetic mean of the degree of target achievements of each of the four years.

Strategic target 3:
Grow CO₂-neutrally until 2030



- With emissions of 21.9 million tons of CO₂ equivalents per year, the target achievement is 100% (target value).
- With emissions of 24.9 million tons of CO₂ equivalents per year or more, the target achievement is 0% (minimum value).
- With emissions of 18.9 million tons of CO₂ equivalents per year or less, the target achievement is 200% (maximum value).
- Intermediate values are determined by linear interpolation.
- The target achievement for the performance period 2020 – 2023 is calculated as arithmetic mean of the degree of target achievements of each of the four years.

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

In addition to the above-mentioned cash compensation, members of the Board of Executive Directors receive various fringe benefits, in some instances event-related fringe benefits. The regularly provided fringe benefits include accident insurance premiums, transportation and benefits from the provision of security measures by the company. The one-time, event-related fringe benefits include, inter alia, security measures at the member's private residence upon initial appointment to the Board of Executive Directors. The delegation-related fringe benefits for members of the Board of Executive Directors who are based abroad include fringe benefits to cover additional costs of transfers, such as assumption of prevailing local rental costs and school fees at the assignment location, or the granting of a basic allowance and the assumption or reimbursement of additional taxes.

The fringe benefits granted by the company are subject to specific provisions, which also limit the amount of such benefits.

- The annual target for regularly provided fringe benefits is €50,000¹; the maximum amount is €100,000.
- For event-related fringe benefits, the maximum amount² ranges between €500,000 for an ordinary member of the Board of Executive Directors and €600,000 for the chairman of the Board of Executive Directors.
- For delegation-related fringe benefits, an additional maximum amount for an ordinary member of the Board of Executive Directors has been set at €3,000,000³.

¹ The target amount is based on the average regularly provided fringe benefits. In individual cases, these benefits can be higher or lower (e.g., higher or lower distances traveled by company car).

² In the event of particular security needs owing to the characteristics of the building or plot of land, or in case of increased need for security, the Personnel Committee can set a higher maximum amount on a case-by-case basis.

³ In the event of unforeseen increases in rental costs in the country of assignment or of taxes that exceed the normal taxation levels for residents of Germany, the Personnel Committee can establish a higher maximum amount. The same applies in the event where taxes that would normally be payable in different calendar years must be paid in one calendar year.

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

The previous company pension benefits granted to members of the Board of Executive Directors (Board Performance Pension, deferred compensation program and basic coverage under BASF Pensionskasse) are discontinued as of January 1, 2020.

Effective January 1, 2020, the company offers members of the Board of Executive Directors a defined contribution pension commitment in the form of a capital investment model. The company grants the members of the Board of Executive Directors a fixed annual pension plan contribution:

- For the purpose of building retirement assets (retirement capital), the company pays pension contributions into an investment model to be chosen by the company. The pension account is managed by an external provider. The performance of the paid-in contributions is determined by the returns generated by the investment model. However, each member of the Board of Executive Directors is guaranteed a benefit of least 80 % of the amount of the pension contributions paid by the company.
- The pension benefits include disability and survivor benefits. The disability capital corresponds to the value of the pension account at the time the disability occurs, but at least to 80 % of the sum of the pension contributions paid by the company. The surviving dependents capital corresponds to the value of the pension account at the time of death of the member of the Board of Executive Directors, but at least to 80 % of the sum of the pension contributions paid by the company.
- Members of the Board of Executive Directors can choose a pension allowance for private retirement savings instead of the defined contribution pension commitment. In this case, the defined annual pension contribution amount is paid in equal monthly installments as a gross amount to the member of the Board of Executive Directors.

For future entitlements from the new defined contribution pension commitment in the form of a capital investment model, the following applies:

- The pension benefit is paid as a capital payment, possibly in installments. Moreover, there is the possibility of choosing an annuity (lifetime pension payment).
- Retirement capital or spouses' capital can be paid out in installments upon request and with approval from BASF in up to ten equal annual installments (without interest accrual).
- Retirement capital or spouses' capital can be converted to an annuity upon request and with approval from BASF. For conversion into an annuity, the actuarial parameters relevant at this point in time are used.
- If the member of the Board of Executive Directors dies while receiving the annuity, the surviving spouse receives a survivor benefits pension corresponding to 60% of the annuity.
- Current pensions shall be increased annually by 1% as of January 1.

If a member of the Board of Executive Directors has chosen a pension allowance, there is no further claim to benefits following the conclusion of the Board mandate, since the annual pension contribution was paid as a gross amount to the Board member in equal monthly installments during the term of the mandate.

Share Ownership Guideline

For the duration of their mandate, members of the Board of Executive Directors are obligated to hold a defined number of shares in the company. The number of shares that must be held for a longer term is determined at the beginning of the Board of Executive Directors mandate (for current members of the Board of Executive Directors as of January 1, 2020) and generally corresponds to a value representing 150 % of the member's annual gross fixed salary on that date. The number of shares to be held rises accordingly with any increase in the amount of fixed salary. The share ownership obligation ends two years after the end of the mandate of the member of the Board of Executive Directors (post-mandate share ownership obligation). When members are first appointed to the Board of Executive Directors, they have until the end of the fourth calendar year following the initial appointment to fulfill this share ownership obligation (built-up phase). The built-up phase also applies for members of the Board of Executive Directors who were members as of January 1, 2020, regardless of when they were first appointed, with the stipulation that the share ownership obligation be fulfilled by December 31, 2023. Evidence of compliance with the share ownership obligation must be provided annually.

Members of the Board of Executive Directors must acquire the shares with after-tax net income. The value of the minimum mandatory share ownership obligation therefore corresponds to around 300 % of the annual net fixed salary.

Withholding and clawback clause

The withholding and clawback provisions remain unchanged for the STI and LTI. 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.

Maximum compensation

The total compensation is capped in accordance with the recommendation under G.1 of the German Corporate Governance Code (GCGC). By establishing a maximum amount (cap) for the STI and the LTI, the amount of both variable compensation components is limited. The maximum compensation levels based on the current target compensation for members of the Board of Executive Directors are presented in the following overview:

	Ordinary member of the Board of Executive Directors		Vice chairman of the Board of Executive Directors		Chairman of the Board of Executive Directors	
	Target compensation	Maximum compensation	Target compensation	Maximum compensation	Target compensation	Maximum compensation
Fixed salary	€800,000	€800,000	€1,064,000	€1,064,000	€1,600,000	€1,600,000
Regular fringe benefits ¹	€50,000	€100,000	€50,000	€100,000	€50,000	€100,000
Pension contribution	€500,000	€500,000	€665,000	€665,000	€1,000,000	€1,000,000
STI amount	€1,000,000	€2,000,000 ²	€1,330,000	€2,660,000 ²	€2,000,000	€4,000,000 ²
LTI amount	€1,400,000	€2,800,000 ²	€1,862,000	€3,724,000 ²	€2,800,000	€5,600,000 ²
Total compensation 2020	€3,750,000	€6,200,000³	€4,971,000	€8,213,000³	€7,450,000	€12,300,000³

¹ This amount represents the maximum amount (200% of the target amount) in the fiscal year 2020 for regularly provided fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for an ordinary member of the Board of Executive Directors, €533,000 for the vice chairman of the Board of Executive Directors and €600,000 for the chairman of the Board of Executive Directors. For delegation-related fringe benefits, the maximum amount for an ordinary member of the Board of Executive Directors has been set at €3,000,000.

² Corresponds to 200% of the annual target amount.

³ From options rights granted in 2020 as a component of the 2019 compensation for the Board of Executive Directors (see page 26), an additional maximum amount of €1,453,500 for an ordinary member of the Board of Executive Directors, €1,933,155 for the vice chairman of the Board of Executive Directors and €2,907,000 for the chairman of the Board of Executive Directors may be allocated.

The compensation for the Board of Executive Directors was last increased effective January 1, 2017. In the event that the Supervisory Board resolves to adjust the compensation amount prior to the next scheduled say on pay on the compensation system by the Annual Shareholders' Meeting in 2024, the following maximum compensation amounts will not be exceeded:

	Ordinary member of the Board of Executive Directors	Vice chairman of the Board of Executive Directors	Chairman of the Board of Executive Directors
Maximum compensation until next say on pay on the compensation system by the Annual Shareholders' Meeting	€7,500,000⁴	€9,975,000⁴	€15,000,000⁴

⁴ This amount contains the maximum amount (200% of the target amount) for regular fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for an ordinary member of the Board of Executive Directors, €533,000 for the vice chairman of the Board of Executive Directors and €600,000 for the chairman of the Board of Executive Directors. For delegation-related fringe benefits, the maximum amount for an ordinary member of the Board of Executive Directors has been set at €3,000,000.

End-of-service benefits in special cases

The Supervisory Board observes a term limit of five years for the employment contracts of members of the Board of Executive Directors. First-time appointments shall not have a term of more than three years. In the event that a member of the Board of Executive Directors who was initially appointed to the Board before 2017 retires from employment before the age of 60, either because his appointment was not extended or was revoked for a serious cause, the Board member is entitled to pension benefits under the pension commitment in effect until 2019 if he has served on the Board for at least ten years or if the time needed to reach legal retirement age is less than ten years. The company is entitled to offset compensation received for any other work relationship against pension benefits until the legal retirement age is reached.

This rule no longer applies for any member who was appointed to the Board of Executive Directors after January 1, 2017.

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 fiscal year and, if appropriate, also the expected total compensation for the current fiscal year.

The following applies to end of service due to a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding. If a Board member's appointment is revoked within one year following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of mandate as a one-off payment; however, this amount also may not exceed the value of two years' compensation.

Comparison of the previous and new compensation systems for the Board of Executive Directors

The new compensation system for the Board of Executive Directors reduces complexity by discontinuing one component of the compensation (performance bonus, part 2). The defined annual target amounts for the pension contribution and for the new LTI also increase transparency. This new system does not represent an increase compared with the average target compensation in the period 2017 – 2019.

<u>Until 2019</u>	<u>As of 2020</u>	<u>Details</u>
BASF Options program (BOP)	Long-Term Incentive (LTI) Performance Share Plan	<ul style="list-style-type: none"> Long-term share price-based bonus program (BASF option program, BOP) with a performance period of up to 8 years and the performance bonus, part 2 (deferral component) will be replaced by a Performance Share Plan: <ul style="list-style-type: none"> 4-year performance period Payment dependent on the achievement of strategic goals and the development of the total shareholder return
Performance Bonus, part 2 (4-year period)		
Performance Bonus, part 1 (1-year period)	Short-Term Incentive (STI) Performance Bonus	<ul style="list-style-type: none"> Performance Bonus, part 1 will be continued as STI: <ul style="list-style-type: none"> 1-year performance period Payment dependent on ROCE of the past fiscal year and the achievement of operational and strategic targets
Company pension benefit	Company pension benefit	<ul style="list-style-type: none"> Current defined benefit plan is terminated. The Board members have the choice between a defined contribution plan with a fixed contribution amount or a pension allowance.
Fixed salary and fringe benefits	Fixed salary and fringe benefits	<ul style="list-style-type: none"> Fixed salary and fringe benefits remain unchanged.

Provisions relating to the previous multi-year variable compensation components and to the previous company pension plan

The still-running deferral components from the performance bonus 2018 (2018 – 2021) and 2019 (2019 – 2022) will be continued as planned in accordance with the terms of the previous program and will be paid out. To assess the strategic performance, the Supervisory Board will therefore determine

a separate strategic performance factor (SPF) for each of the years 2020, 2021 and 2022. This SPF will serve exclusively to determine the average SPFs necessary for the deferral components of the performance bonus in accordance with the terms of the program.

The option rights granted under the previous BASF Options Programs (BOP) and not yet exercised can continue to be exercised in accordance with the specified terms of the BOP for the Board of Executive Directors. Members of the Board of Executive Directors will have the opportunity to participate in the BASF Options Program granted July 1, 2020, for the last time. Basis for participation is the performance bonus (gross) for 2019. The existing applicable minimum investment of 10 % and the additional voluntary investment of up to 20 % of the performance bonus (gross) for the previous year remain in effect unchanged. The option rights hereby granted are a component of the compensation for the Board of Executive Directors for the fiscal year 2019 and are granted in accordance with the previous program's terms as of July 1, 2020. Owing to the maximum program duration of eight years, exercise gains from the option program may be allocated to members of the Board of Executive Directors up until June 30, 2028, at the latest.

The pension entitlements acquired until December 31, 2019, under the previous pension benefits are maintained as vested rights and upon retirement, disability or death can be accessed by the member of the Board of Executive Directors or by the surviving dependents as a company pension or retirement capital in accordance with the previous rules.

Ludwigshafen/Rhine, February 2020

BASF SE

The Board of Executive Directors



Dr. Martin Brudermüller



Saori Dubourg



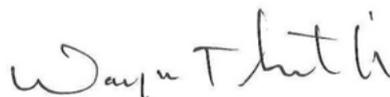
Dr. Hans-Ulrich Engel



Michael Heinz



Dr. Markus Kamieth



Wayne T. Smith