

BASF SE

Compensation Report 2021



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Compensation Report

Pursuant to section 162 of the German Stock Corporation Act (AktG), the management and supervisory boards of a publicly listed company prepare a clear and understandable report every year. This report outlines the main principles of compensation for the members of the Board of Executive Directors and the Supervisory Board and provides specific information on compensation granted and owed to current and former members of the Board of Executive Directors and Supervisory Board in the 2021 business year.

This report meets the disclosure requirements of section 162 AktG and the applicable accounting rules (HGB, IFRS). Furthermore, the recommendations of the German Corporate Governance Code (GCGC) in the version dated December 16, 2019, have been observed.

Pursuant to section 120a(1) AktG, the current compensation system for the Board of Executive Directors was submitted to the Annual Shareholders' Meeting and approved by a 92.69% majority on June 18, 2020. It has been applicable to all current members of the Board of Executive Directors since January 1, 2020.

Compensation of the Board of Executive Directors

Principles

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 (Gesamtvorstand). It is designed to contribute to sustainable corporate development and the achievement of strategic corporate goals. 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 and thus foster the sustainable and long-term development of the company within the meaning of section 87(1) sentence 2 AktG.

- The strategic target “**yield**” refers to an annual return on capital employed (ROCE) above the cost of capital percentage. The ROCE serves as the key performance indicator for determining the performance bonus (**short-term incentive, STI**).
- The strategic targets “**growth**,” “**profitability**” and “**sustainability**” are represented in the **long-term incentive (LTI)** program.

By taking into account the total shareholder return (development of the share price and dividend), the LTI enables members of the Board of Executive Directors as well as shareholders to participate in the sustainable and long-term development of the company.

The compensation of the Board of Executive Directors is marked by a pronounced variability in relation to the performance of the Board of Executive Directors as a whole 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 listed companies in Germany and globally operating companies in 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 the event of significant amendments, but at least every four years, the compensation system resolved by the Supervisory Board is presented to the Annual Shareholders' Meeting for approval.

In very exceptional and unforeseen 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.

Since January 1, 2020, the compensation system for the Board of Executive Directors contains the components listed in the table below with the annual target amounts (including relative portions) valid for the 2021 business year.

Components of the compensation system also include a withholding and clawback clause for variable compensation components 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 length of their Board mandate and beyond.

Target compensation and relative share

	Member of the Board of Executive Directors		Vice chair of the Board of Executive Directors		Chair of the Board of Executive Directors	
	€	Share	€	Share	€	Share
Fixed salary	800,000	21%	1,064,000	21%	1,600,000	21%
Regularly provided fringe benefits	50,000	1%	50,000	1%	50,000	1%
Company pension benefits	500,000	13%	665,000	13%	1,000,000	13%
Short-term incentive	1,000,000	27%	1,330,000	27%	2,000,000	27%
Long-term incentive	1,400,000	38%	1,862,000	38%	2,800,000	38%
Total target compensation 2021	3,750,000	100%	4,971,000	100%	7,450,000	100%

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, and Volkswagen.

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 a member of the Board of Executive Directors has been €800,000 since January 1, 2017. The fixed salary for the chair of the Board of Executive Directors is two times the value for a Board member, and 1.33 times this value for the vice chair.

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

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, mobility 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 capped.

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

3. Company pension benefits

Company pension benefits

- Pension commitment in the form of an external capital investment model with guaranteed benefits (minimum preservation)
- Retirement, disability and surviving dependents' benefits
- Possibility to opt out in favor of an annual pension allowance

The company has offered members of the Board of Executive Directors a pension commitment in the form of an external capital investment model since January 1, 2020. 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 asset management company. 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 minimum preservation of at 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.
- Instead of the pension commitment in the form of an external capital investment model, members of the Board of Executive Directors can choose a pension allowance for private retirement savings. 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 such that there is no further claim to benefits following the conclusion of the Board mandate.

For entitlements from the pension commitment in the form of an external capital investment model, the following applies:

- The pension benefit is paid as a capital payment, possibly in as many as 10 installments.
- Moreover, there is the possibility of choosing an annuity (lifetime pension payment). 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. The same applies for civil partners.
- Current pensions are increased annually by 1% as of January 1.

4. Short-term incentive (STI)

Short-term incentive (STI)

- One-year performance period
- The actual amount of the STI is based on the achievement of set operational and strategic targets as well as on the BASF Group's ROCE.
- The payout is limited to 200% of the target amount (cap).
- The payment occurs in May of the following year.

For each business year, an STI with a one-year performance period is granted. The STI 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 actual STI amount is paid in May of the following year.

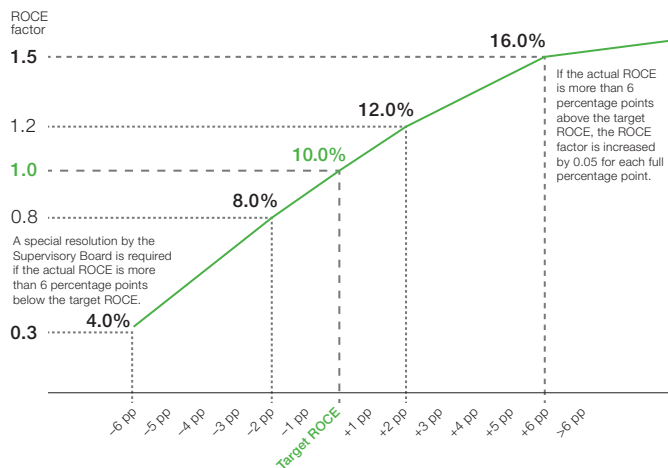
ROCE as key performance indicator for one-year variable compensation

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 premium on the cost of capital. The ROCE of the particular business year serves as the key performance indicator for the success of the company when determining the STI. 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 the determination of ROCE and the cost of capital basis, see Our Steering Concept on page 42 of the BASF Report 2021.

The target ROCE for the variable compensation is one percentage point above the cost of capital percentage for the business year, which is determined using the weighted average cost of capital (WACC) approach in accordance with the capital asset pricing model. 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 business year is one percentage point above the weighted cost of capital percentage (based on the 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 range 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.

For the business year 2021, the target ROCE was 10% with a cost of capital percentage of 9%. This figure is reviewed and communicated annually.

For more information on the determination of ROCE and the cost of capital basis, see Our Steering Concept on page 42 of the BASF Report 2021.

Target agreement and performance assessment

In order to assess the 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, for example, earnings and financial targets. This includes, for example, EBIT before special items.
- One-year strategic targets relating to the further development of the BASF Group, for example, targets for growth, investment and R&D strategy, and sustainability.

The achievement of operational and strategic targets comprises the performance factor, each with a weight of 50%. These targets are in line with the outlook published in the forecast in the BASF Report. 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 amount of the STI is determined as follows:

$$\text{Target STI} \times \text{ROCE factor} \times \text{Performance factor} = \text{STI payout (gross)}$$

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

The STI is currently capped at €2,000,000 for a member of the Board of Executive Directors. The maximum amount for the chair of the Board of Executive Directors is two times this value, and 1.33 times this value for the vice chair.

5. Long-term incentive (LTI)

The LTI program incentivizes the achievement of the BASF Group's strategic targets and takes into consideration the development of the BASF share price and dividend (total shareholder return) over a period of four years. The LTI is also offered with slight variations to senior executives of the BASF Group.

Long-term incentive (LTI)

- Four-year performance period
- The payout amount is determined by the achievement of three agreed strategic targets (growth, profitability, sustainability) and the performance of the BASF share plus the dividends paid (total shareholder return).
- The payout is limited to 200% of the target amount (cap).
- The payout occurs in May after the end of the four-year performance period.

Allocation: An LTI plan with a four-year performance period will be allocated for each business year. 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 strategic targets over the four-year performance period, the number of PSUs can in-

crease or decrease. To determine this, the number of provisional 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 business 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 the total shareholder return. The LTI plan is vested at the end of the respective four-year performance period and the actual amount is paid out in the following year. The payout is limited to 200% of the target amount (cap).

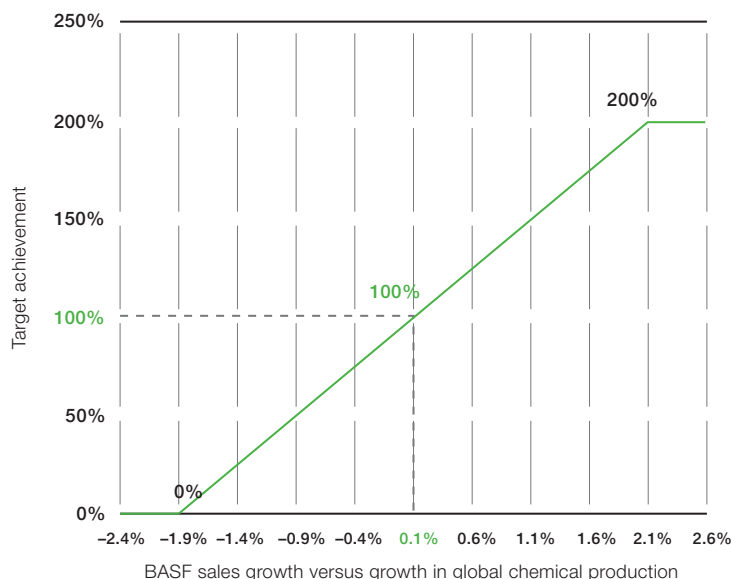
Determination of target achievement: The Supervisory Board defines a target value for each of the three strategic targets at the beginning of the four-year performance period, corresponding to a target achievement of 100%, as well as a minimal value, a maximum value and a target achievement curve.

The target achievement rate for each strategic target 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.



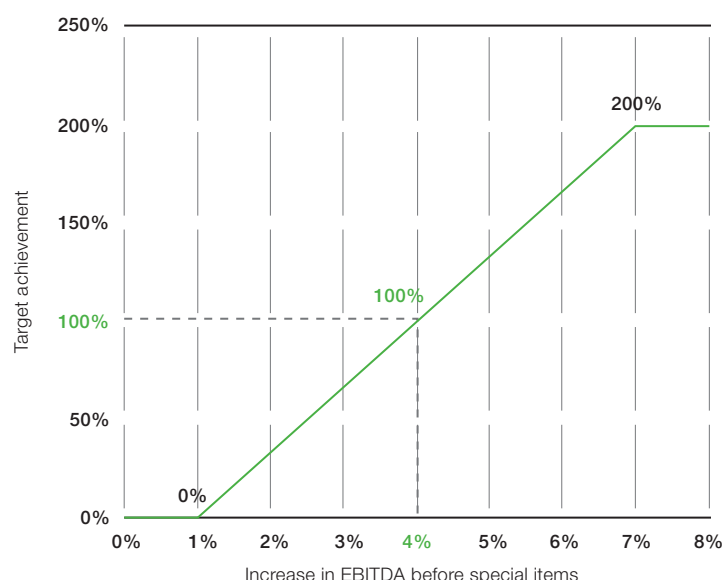
The following targets as communicated by the BASF corporate strategy apply to the LTI plan 2021 (performance period 2021 – 2024):

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



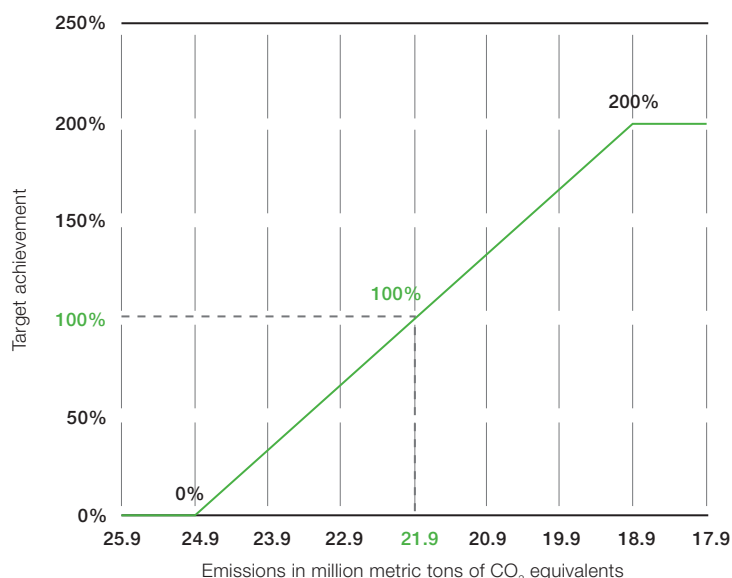
- The target is 100% achieved if BASF grows 0.1 percentage points faster than global chemical production (**target value**).
- If this target value is undercut by two percentage points or more, the target achievement is 0% (**minimum value**).
- If the target value is exceeded by two percentage points or more, the target achievement is 200% (**maximum value**).
- Intermediate values are determined by linear interpolation.
- The target achievement for the entire performance period 2021–2024 is calculated as the 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



- If EBITDA before special items increases by 4% (i.e., in the middle of the communicated target corridor of 3% to 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 budget value for the EBITDA before special items for 2021.
- The target achievement for the entire performance period 2021–2024 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

Strategic target 3: Grow CO₂-neutrally until 2030^a



- With emissions of 21.9 million metric tons of CO₂ equivalents per year, the target achievement is 100% (**target value**).
- With emissions of 24.9 million metric tons of CO₂ equivalents per year or more, the target achievement is 0% (**minimum value**).
- With emissions of 18.9 million metric 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 entire performance period 2021–2024 is calculated as the arithmetic mean of the degree of target achievements of each of the four years.

^a The sustainability target for the LTI 2021 (2021–2024) set at the beginning of 2021 is based on the target “grow CO₂-neutrally until 2030” published in 2019. The adjustment to the strategic target made over the course of 2021 is therefore not yet considered in the LTI 2021.

Share Ownership Guideline

For the duration of their mandate and beyond, 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 and generally corresponds to a value representing 150% of the member's annual gross fixed salary on that date. The number was determined on January 1, 2020, for members already on the Board of Executive Directors at the time the share ownership obligation was adopted. The conversion into a number of shares to be held is carried out using the average price of the BASF share in the fourth quarter of the year prior to the start of the first-time share ownership guideline.

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 (set-up phase). The set-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.

Members of the Board of Executive Directors must acquire the shares with after-tax net income. It was confirmed to the Supervisory Board that, taking into account the set-up phase, all serving members of the Board of Executive Directors held the required number of BASF shares or ADRs² as of December 31, 2021.

Withholding and clawback clause

Withholding and clawback provisions apply to 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. In 2021, no use was made of the possibility to claw back, reduce or cancel the not yet paid variable compensation.

Caps on compensation (maximum compensation)

The total compensation is capped in accordance with the recommendation of the German Corporate Governance Code (GCGC) and the requirements of section 87a(1) sentence 1 AktG. 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:

	Member of the Board of Executive Directors		Vice chair of the Board of Executive Directors		Chair 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
Regularly provided fringe benefits ^a	50,000	100,000	50,000	100,000	50,000	100,000
Company pension benefits	500,000	500,000	665,000	665,000	1,000,000	1,000,000
STI amount	1,000,000	2,000,000 ^b	1,330,000	2,660,000 ^b	2,000,000	4,000,000 ^b
LTI amount	1,400,000	2,800,000 ^b	1,862,000	3,724,000 ^b	2,800,000	5,600,000 ^b
Total compensation 2021	3,750,000	6,200,000	4,971,000	8,213,000	7,450,000	12,300,000

^a This amount represents the maximum amount (200% of the target amount) in the fiscal year 2021 for regularly provided fringe benefits. For event-related fringe benefits, an additional maximum amount has been defined: €500,000 for a member of the Board of Executive Directors, €533,000 for the vice chair of the Board of Executive Directors and €600,000 for the chair of the Board of Executive Directors. For delegation-related fringe benefits, an additional maximum amount for a member of the Board of Executive Directors has been set at €3,000,000.

^b Corresponds to 200% of the annual target amount

In the event that the Supervisory Board resolves to adjust the compensation amount prior to the next scheduled say on pay of the compensa-

tion system by the Annual Shareholders' Meeting in 2024, the following maximum compensation amounts would not be exceeded:

	Member of the Board of Executive Directors	Vice chair of the Board of Executive Directors	Chair of the Board of Executive Directors
Maximum compensation until next say on pay on the compensation system by the Annual Shareholders' Meeting ^c	7,500,000	9,975,000	15,000,000

^c 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 a member of the Board of Executive Directors, €533,000 for the vice chair of the Board of Executive Directors and €600,000 for the chair of the Board of Executive Directors. For delegation-related fringe benefits, an additional maximum amount for a member of the Board of Executive Directors has been set at €3,000,000.

Variable compensation in 2021

Short-term incentive (STI)

The STI is based on an annual target agreement between the Supervisory Board and the Board of Executive Directors as well as on the return on capital employed (ROCE). These targets are in line with the outlook for 2021 published in the forecast in the BASF Report 2020. The amount of the STI is calculated by multiplying the target amount by the ROCE factor and by the performance factor derived from the target achievement.

The BASF Group's ROCE was 13.5% in 2021. This resulted in a ROCE factor of 1.3125.

ROCE

Million €

	2021	2020
EBIT of BASF Group	7,677	-191
EBIT of Other	-641	-1,203
EBIT of the segments	8,317	1,012
Cost of capital basis of segments, average of month-end figures	61,579	60,111
ROCE	13.5	1.7

Based on the target agreement and the following explanation on target achievement, the performance factor amounts to 1.5:

- The earnings target EBIT before special items was significantly exceeded.
- Free cash flow was clearly above target.
- The ROCE target was also significantly exceeded.
- Customer satisfaction improved once again compared with the last survey.
- Sales of products that make a substantial contribution to sustainability (Accelerators) increased considerably.
- Growth investments were slightly under budget but were significantly increased as intended.
- The sustainability profile was significantly enhanced and refined in 2021. A number of important transformational projects were successfully completed.

The weighted target achievement is over 125% and thus corresponds to a performance factor of 1.5. Based on the defined parameters, the STI 2021 for a full-year member of the Board of Executive Directors is calculated as shown below.

Target STI:	X	ROCE factor 2021:	X	Performance factor 2021	=	STI payout (gross)
€1,000,000		1.3125		1.5		€1,968,750

The payment will be made in May 2022.

LTI target achievement for the performance year 2021

LTI target achievement is determined using the performance indicators for the individual strategic targets, which are defined as follows:

- CO₂ equivalents: Relevant CO₂ emissions include direct emissions (from production processes and the generation of steam and electricity) and indirect emissions (from the purchase of energy). Greenhouse gases are converted into CO₂ equivalents in accordance with the Greenhouse Gas Protocol.
- Volume growth: Growth in BASF's sales volumes, defined as the increase or decrease in product volumes sold, measured at the

respective product prices of the previous year, excluding structural effects (e.g., acquisitions and divestitures). Growth in global chemical production represents annual global growth in the production of chemical products excluding pharmaceuticals. Real global growth rates are calculated based on aggregate, sales-weighted global production data.

- EBITDA before special items of the BASF Group: This metric describes operational performance independent of age-related depreciation and amortization of assets and any impairment or reversal of impairment.

LTI plan 2020: The rates of target achievement for the second year of the four-year performance period 2020 – 2023 were as follows:

Strategic targets for the LTI 2020 (2020–2023)

		Target/ benchmark 2021	2021 actual	Target achievement 2021 in %
Grow sales volumes faster than global chemical production	(in %)	6.1	10.6	200% ^a
Increase EBITDA before special items by 3% to 5% per year	(in million €)	8,888	11,348	200%
CO ₂ -neutral growth, i.e., emissions no greater than 21.9 million metric tons CO ₂ equivalents ^b	(in million metric tons of CO ₂ equivalents)	21.9	20.2	157%
Weighted target achievement	(in %)			186%

^a In 2021, BASF's sales volumes (10.6%) grew at a faster rate than global chemical production (6.1% as of February 11, 2022). The target would have been 100% achieved if growth in BASF's sales volumes were 0.1 percentage points higher than global chemical production.

^b The sustainability target for the LTI 2021 (2021–2024) set at the beginning of 2021 is based on the target "grow CO₂-neutrally until 2030" published in 2019. The adjustment to the strategic target made over the course of 2021 is therefore not yet considered in the LTI plans 2020 and 2021.

LTI plan 2021: The rates of target achievement for the first year of the four-year performance period 2021–2024 were as follows:

Strategic targets for the LTI 2021 (2021–2024)

		Target/ benchmark 2021	2021 actual	Target achievement 2021 in %
Grow sales volumes faster than global chemical production	(in %)	6.1	10.6	200% ^a
Increase EBITDA before special items by 3% to 5% per year	(in million €)	7,950	11,348	200%
CO ₂ -neutral growth, i.e., emissions no greater than 21.9 million metric tons CO ₂ equivalents ^b	(in million metric tons of CO ₂ equivalents)	21.9	20.2	157%
Weighted target achievement	(in %)			186%

^a In 2021, BASF's sales volumes (10.6%) grew at a faster rate than global chemical production (6.1% as of February 11, 2022). The target would have been 100% achieved if growth in BASF's sales volumes were 0.1 percentage points higher than global chemical production.

^b The sustainability target for the LTI 2021 (2021–2024) set at the beginning of 2021 is based on the target "grow CO₂-neutrally until 2030" published in 2019. The adjustment to the strategic target made over the course of 2021 is therefore not yet considered in the LTI plans 2020 and 2021.

The degrees of target achievement determined for 2021 are fixed. At the end of the respective four-year performance period, they are added together to one arithmetic mean with the degrees of target achievement in the respective individual years.

Strategic targets and target achievement for current LTI plans

LTI 2020 (2020 – 2023)

	2020	2021	2022	2023	Target achievement
Strategic target 1:					
Growth	90%	200%	-	-	145%
Strategic target 2:					
Profitability	0%	200%	-	-	100%
Strategic target 3:					
Sustainability	137%	157%	-	-	147%
Weighted target achievement	76%	186%	-	-	131%

LTI 2021 (2021 – 2024)

	2021	2022	2023	2024	Target achievement
Strategic target 1:					
Growth	200%	-	-	-	200%
Strategic target 2:					
Profitability	200%	-	-	-	200%
Strategic target 3:					
Sustainability	157%	-	-	-	157%
Weighted target achievement	186%	-	-	-	186%

Strategic performance factor (SPF) 2021 for the deferral components from the performance bonus 2018 and 2019

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

The Supervisory Board determined an SPF₂₀₂₁ of 1.0 for the performance bonus 2018 (2018 – 2021) and an SPF₂₀₂₁ of 1.2 for the performance bonus 2019 (2019 – 2022).

Based on the strategic performance factors set over the four-year performance period, the deferral components from the performance bonus 2018 (2018 – 2021) for a full-year member of the Board of Executive Directors is calculated as follows:

Deferral component 2018 (2018 – 2021)	X	$\frac{\text{SPF}_{2018} + \text{SPF}_{2019} + \text{SPF}_{2020} + \text{SPF}_{2021}}{4}$	=	Performance bonus, part 2
€707,200	X	$\frac{0.9 + 1.1 + 1.0 + 1.0}{4}$	=	€707,200

Payment of the performance bonus, part 2, for the 2018 deferral component (2018 – 2021) will be made following the Annual Shareholders' Meeting in 2022.

Compensation granted and owed for the business year 2021 in accordance with section 162 AktG

In accordance with section 162(1) sentence 1 AktG, the Compensation Report is to report on the **compensation granted and owed** to each individual current or former member of the Board of Executive Directors and the Supervisory Board in the past business year.

According to this, compensation is **granted** when it is actually paid to a member of a governing body and thus passes into their ownership (**payment-oriented view**). Alternatively, it is permissible for the Compensation Report to (already) disclose the compensation for the business year in which the (one-year or multiple-year) activity on which the compensation is based is performed in full (**vesting-oriented view**). This view enables a meaningful comparison, as, for example, the short-term incentive (STI) for 2021 is compared with the business results for 2021. For this reason, we use the vesting-oriented view for compensation granted.

The following table shows the fixed compensation components (fixed salary, fringe benefits, and, if applicable, pension allowances) actually paid in the reporting year to current members of the Board of Executive Directors and members who left the Board of Executive Directors in the 2021 business year. It also shows the short-term incentive 2021 and deferral components of the 2018 performance bonus, variable compensation components that directly relate to the Board of Executive Directors' and the company's performance in the reporting year (vesting-oriented view). Payment will occur in 2022.

The values of pension plan contributions (pension commitment in the form of an external capital investment model with guaranteed benefits) awarded contractually in 2021 to members of the Board of Executive Directors are presented as supplementary disclosures below the table "Compensation granted and owed to active members of the Board of Executive Directors in the business year." If a member of the Board of Executive Directors opts for the pension allowance, the amount will be included in this table under "Other benefits."

Compensation granted and owed to active members of the Board of Executive Directors in the business year

Thousand €

	Dr. Martin Bruder Müller Chairman of the Board of Executive Directors				Dr. Hans-Ulrich Engel Vice Chairman			
	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)
Total fixed salary, fringe benefits and other benefits for the business year	1,652	24%	1,576	74%	1,119	24%	1,073	74%
Fixed salary	1,600	23%	1,520 ^b	71%	1,064	23%	1,011 ^b	70%
Fringe benefits								
Regularly provided fringe benefits	52	1%	56	3%	55	1%	62	4%
Event-related fringe benefits	–	–	–	–	–	–	–	–
Delegation-related fringe benefits	–	–	–	–	–	–	–	–
Other benefits	–	–	–	–	–	–	–	–
Total variable compensation for the business year	5,189	76%	570	26%	3,478	76%	379	26%
One-year variable compensation								
Short-term incentive 2020	–	–	570	26%	–	–	379	26%
Short-term incentive 2021	3,938	58%	–	–	2,618	57%	–	–
Multiple-year variable compensation								
Performance bonus 2018 (2018–2021), part 2 (deferral component)	1,251	18%	–	–	860	19%	–	–
LTI program BOP 2012 (2012–2020) ^f	–	–	–	–	–	–	–	–
Total compensation granted and owed for the business year within the meaning of section 162 AktG	6,841	100%	2,146	100%	4,597	100%	1,452	100%
Supplementary disclosure								
Pension plan contributions	1,000	–	1,000	–	665	–	665	–
Total compensation (including pension plan contributions)	7,841	–	3,146	–	5,262	–	2,117	–

a Wayne T. Smith's service contract was terminated early by mutual consent effective May 31, 2021.

b The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed annual salary for the period from April 1 until June 30, 2020.

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

d This figure includes a one-off payment of €3,662 thousand as compensation for the remaining term of Wayne T. Smith's service contract until the end of the company's Annual Shareholders' Meeting 2022, as well as the pro rata pension allowance for private retirement savings of €208 thousand.

e Wayne T. Smith opted for the pension allowance for private retirement savings.

f For the provisions of the former LTI program (BASF Option Program, BOP), see the explanations on page 15.

g In 2020, at the end of the regular term of the LTI program 2012, exercise gains that were realized in 2017 were allocated to Wayne T. Smith in accordance with the special conditions of the U.S. LTI program.

Compensation granted and owed to active members of the Board of Executive Directors in the business year

Thousand €

	Saori Dubourg Member of the Board of Executive Directors				Michael Heinz Member of the Board of Executive Directors				Dr. Markus Kamieth Member of the Board of Executive Directors			
	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)
Total fixed salary, fringe benefits and other benefits for the business year	930	26%	1,254	81%	1,020	28%	800	74%	1,152	30%	1,353	83%
Fixed salary	800	22%	760 ^b	49%	800 ^c	22%	760 ^b	70%	800 ^c	21%	760 ^{b,c}	47%
Fringe benefits												
Regularly provided fringe benefits	130	4%	62	4%	34	1%	40	4%	46	1%	36	2%
Event-related fringe benefits	–	–	432	28%	–	–	–	–	–	–	–	–
Delegation-related fringe benefits	–	–	–	–	186	5%	–	–	306	8%	557	34%
Other benefits	–	–	–	–	–	–	–	–	–	–	–	–
Total variable compensation for the business year	2,676	74%	285	19%	2,676	72%	285	26%	2,676	70%	285	17%
One-year variable compensation												
Short-term incentive 2020	–	–	285	19%	–	–	285	26%	–	–	285	17%
Short-term incentive 2021	1,969	54%	–	–	1,969	53%	–	–	1,969	52%	–	–
Multiple-year variable compensation												
Performance bonus 2018 (2018–2021), part 2 (deferral component)	707	20%	–	–	707	19%	–	–	707	18%	–	–
LTI program BOP 2012 (2012–2020) ^f	–	–	–	–	–	–	–	–	–	–	–	–
Total compensation granted and owed for the business year within the meaning of section 162 AktG	3,606	100%	1,539	100%	3,696	100%	1,085	100%	3,828	100%	1,638	100%
Supplementary disclosure												
Pension plan contributions	500	–	500	–	500	–	500	–	500	–	500	–
Total compensation (including pension plan contributions)	4,106	–	2,039	–	4,196	–	1,585	–	4,328	–	2,138	–

a Wayne T. Smith's service contract was terminated early by mutual consent effective May 31, 2021.

b The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed annual salary for the period from April 1 until June 30, 2020.

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

d This figure includes a one-off payment of €3,662 thousand as compensation for the remaining term of Wayne T. Smith's service contract until the end of the company's Annual Shareholders' Meeting 2022, as well as the pro rata pension allowance for private retirement savings of €208 thousand.

e Wayne T. Smith opted for the pension allowance for private retirement savings.

f For the provisions of the former LTI program (BASF Option Program, BOP), see the explanations on page 15.

g In 2020, at the end of the regular term of the LTI program 2012, exercise gains that were realized in 2017 were allocated to Wayne T. Smith in accordance with the special conditions of the U.S. LTI program.

Compensation granted and owed to active members of the Board of Executive Directors in the business year

Thousand €

	Dr. Melanie Maas-Brunner Member of the Board of Executive Directors since February 1, 2021				Wayne T. Smith^a Member of the Board of Executive Directors until May 31, 2021			
	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)	2021 (absolute)	2021 (relative)	2020 (absolute)	2020 (relative)
Total fixed salary, fringe benefits and other benefits for the business year	878	33%	–	–	4,305	74%	1,583	69%
Fixed salary	733	27%	–	–	333 ^c	6%	760 ^{b,c}	33%
Fringe benefits								
Regularly provided fringe benefits	41	2%	–	–	7	0%	19	1%
Event-related fringe benefits	104	4%	–	–	–	–	–	–
Delegation-related fringe benefits	–	–	–	–	95	2%	304	13%
Other benefits	–	–	–	–	3,870 ^d	66%	500 ^e	22%
Total variable compensation for the business year	1,805	67%	–	–	1,527	26%	716	31%
One-year variable compensation								
Short-term incentive 2020	–	–	–	–	–	–	285	12%
Short-term incentive 2021	1,805	67%	–	–	820	14%	–	–
Multiple-year variable compensation								
Performance bonus 2018 (2018–2021), part 2 (deferral component)	–	–	–	–	707	12%	–	–
LTI program BOP 2012 (2012–2020) ^f	–	–	–	–	–	–	431 ^g	19%
Total compensation granted and owed for the business year within the meaning of section 162 AktG	2,683	100%	–	–	5,832	100%	2,299	100%
Supplementary disclosure								
Pension plan contributions	458	–	–	–	–	–	–	–
Total compensation (including pension plan contributions)	3,141	–	–	–	5,832	–	2,299	–

^a Wayne T. Smith's service contract was terminated early by mutual consent effective May 31, 2021.

^b The members of the Board of Executive Directors each voluntarily relinquished 20% of their fixed annual salary for the period from April 1 until June 30, 2020.

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

^d This figure includes a one-off payment of €3,662 thousand as compensation for the remaining term of Wayne T. Smith's service contract until the end of the company's Annual Shareholders' Meeting 2022, as well as the pro rata pension allowance for private retirement savings of €208 thousand.

^e Wayne T. Smith opted for the pension allowance for private retirement savings.

^f For the provisions of the former LTI program (BASF Option Program, BOP), see the explanations on page 15.

^g In 2020, at the end of the regular term of the LTI program 2012, exercise gains that were realized in 2017 were allocated to Wayne T. Smith in accordance with the special conditions of the U.S. LTI program.

The following table comprises the compensation components in or for the reporting year (pension benefits, non-compete compensation) paid to former members of the Board of Executive Directors who have left the Board since 2012, plus the variable compensation com-

ponents due but not yet paid for the reporting year (deferral component of the 2018 performance bonus and, if applicable, exercise gains from the former LTI program (BASF option program, BOP)).

Compensation granted and owed to former members of the Board of Executive Directors who left the Board after December 31, 2011^a

Thousand €

	Sanjeev Gandhi Member of the Board of Executive Directors until December 31, 2019		Dr. Kurt Bock Chairman of the Board of Executive Directors until May 4, 2018		Margret Suckale Member of the Board of Executive Directors until May 12, 2017	
	2021	2020	2021	2020	2021	2020
Fixed salary (share)	73%	100%	64%	100%	100%	100%
Company pension benefits	–	–	880	871	183	181
Other benefits	1,956 ^b	2,148 ^b	12	36	–	–
Variable compensation (share)	27%	0%	36%	0%	0%	0%
Multiple-year variable compensation	707	–	492	–	–	–
Total compensation granted and owed for the business year within the meaning of section 162 AktG	2,663	2,148	1,384	907	183	181

^a The table presents compensation components granted to the former members following their departure from the Board of Executive Directors.

^b 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 was agreed for a two-year, post-contractual non-compete obligation.

Compensation granted and owed to former members of the Board of Executive Directors who left the Board after December 31, 2011^a

Thousand €

	Dr. Andreas Kreimeyer Member of the Board of Executive Directors until April 30, 2015		Dr. Stefan Marciniowski Member of the Board of Executive Directors until April 27, 2012	
	2021	2020	2021	2020
Fixed salary (share)	100%	100%	100%	100%
Company pension benefits	577	571	549	543
Other benefits	–	–	2	1
Variable compensation (share)	0%	0%	0%	0%
Multiple-year variable compensation	–	–	–	–
Total compensation granted and owed for the business year within the meaning of section 162 AktG	577	571	551	544

^a The table presents compensation components granted to the former members following their departure from the Board of Executive Directors.
^b 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 was agreed for a two-year, post-contractual non-compete obligation.

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 under the system in effect until 2019 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. 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 business year and, if appropriate, also the expected total compensation for the current business 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 an appointment to the Board of Executive Directors is revoked within one year following a change-of-control event and the Board member has not given cause for the termination, the Board member will receive a one-off gross payment in the amount of the compensation the Board member would have received for the remaining contractual term of mandate. The variable compensation elements (STI and LTI) granted until the end of the contractual term of mandate are calculated based on their respective target amounts. The outstanding pension contributions until the end of the regular contractual term of mandate shall be paid as a one-off gross payment. Total one-off gross payments due to a change of control are limited through the severance payment cap.

In addition, the chair of the Board of Executive Directors will be provided with a company car and a home office for a period of up to two years after the end of their mandate due to retirement and in transition out of their former role. For the pension plan contributions made in the business year, see the supplementary disclosures below the table "Compensation granted and owed to active members of the Board of Executive Directors in the business year" on page 11 ff.

Accounting valuation of company pension benefits

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 2021 in accordance with IFRS (as of December 31 in each case).

Company pension benefits (in accordance with IFRS)

Thousand €

	Cumulative defined benefit obligation as of December 31, 2021	Cumulative defined benefit obligation as of December 31, 2020
Dr. Martin Bruder Müller	18,823	19,490
Saori Dubourg	6,653	6,611
Dr. Hans-Ulrich Engel	16,048	16,219
Michael Heinz	15,812	16,253
Dr. Markus Kamieth	6,891	7,100
Dr. Melanie Maas-Brunner (Member of the Board of Executive Directors since February 1, 2021)	5,723	–
Wayne T. Smith (Member of the Board of Executive Directors until May 31, 2021)	5,982	6,417
Total	75,932	72,090

Provisions relating to past multi-year variable compensation components and to the former pension plan

The deferral components from the performance bonus 2018 (2018 – 2021) and 2019 (2019 – 2022) will be continued as planned and paid out in accordance with the terms of the previous program.

BASF Option Program (BOP)

By resolution of the Supervisory Board, the BASF option program (BOP) was replaced by the new LTI as of January 1, 2020. The BOP was based on the STI paid out for the previous year and required a personal investment in BASF shares of at least 10% of the STI paid. Up to 20% could additionally be declared as a voluntary personal investment (share ownership obligation).

The personal investment must be held for a defined period of time (holding period). The minimum personal investment of 10% is subject to a holding period of four years. For an additional voluntary investment of up to 20%, a holding period of two years applies.

Four options were granted for each BASF share invested personally. After a four-year vesting period, there is a four-year exercise period during which the members of the Board of Executive Directors can individually exercise these options if performance thresholds are met. 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). At least one of the two conditions must be met in order to exercise the option:

- Performance threshold, right A: BASF share price increases at least 30% compared with the base price on the option allocation date for the LTI plan concerned.
- 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.

In total, the maximum exercise gain (cap) is limited to five times the individual investment.

Members of the Board of Executive Directors had the opportunity to participate for the last time in the BASF option program as of July 1, 2020. Owing to the maximum program duration of eight years, exercise gains from the LTI plans may be paid to members of the Board of Executive Directors up until June 30, 2028, at the latest.

 For more information on the LTI program, see page 101 and from page 280 onward of the BASF Report 2021.

Company pension benefits according to the pension benefit system applicable until December 31, 2019

The pension entitlements acquired until December 31, 2019, under the previous company pension system are retained 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.

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary: €200,000^a
- Share purchase and shareholding obligation: 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 the Personnel Committee and the Strategy Committee: €12,500^b
- Compensation for the Audit Committee: €50,000^b
- No additional compensation is paid for the Nomination Committee

^a The amount for the chair of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chair compared with the compensation of a member of the Supervisory Board.

^b The amount for the chair of a committee is two times this value, and 1.5 times this value for the vice chair.

The compensation of the Supervisory Board is regulated by the Statutes of BASF SE passed by the Annual Shareholders' Meeting.

Since 2017, the compensation of the Supervisory Board has been purely fixed compensation, supplemented by a share purchase and shareholding obligation. The obligation to purchase and hold shares emphasizes the long-term nature of the Supervisory Board's strategic support role.

Amount of Supervisory Board compensation

Each member of the Supervisory Board shall receive annually a fixed compensation of €200,000.

The compensation of the Supervisory Board is according to a function-related differentiation of the compensation of the chair, vice chair and members. The amount for the chair of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chair compared with the compensation of a member of the Supervisory Board.

Amount of compensation for serving on a committee

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive an additional annual fixed compensation of €12,500. This appropriately reflects the increased workload of Supervisory Board members serving on committees. For members of the Audit Committee, the further compensation shall be €50,000. The chair of a committee shall receive twice and a vice chair 1.5 times the further fixed compensation.

Share purchase and shareholding obligation for members of the Supervisory Board

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.

Total compensation of the Supervisory Board in 2021 was €3.3 million (2020: around €2.9 million). The compensation of the individual Supervisory Board members is listed in the table below.

The compensation of the Supervisory Board does not contain any variable components.

Compensation for membership on the Supervisory Board and its committees, provided it is not withheld for the purpose of acquiring shares, is due after the conclusion of the business year for which the compensation is paid. Beyond the compensation in accordance with the Statutes presented in the table "Compensation granted and owed to members of the Supervisory Board," no Supervisory Board member received any compensation in 2021 for services rendered personally, in particular, the rendering of advisory or agency services.

[For more information on share ownership by members of the Supervisory Board, see page 169 of the BASF Report 2021.](#)

Compensation granted and owed to members of the Supervisory Board

Thousand €

Serving members of the Supervisory Board as of December 31, 2021	Fixed salary		Compensation for committee memberships		Total compensation	
	2021	2020 ^a	2021	2020	2021	2020
Dr. Kurt Bock, chair since June 18, 2020 ^{b, c}	500.0	233.3	50.0	29.2	550.0	262.5
Franz Fehrenbach, vice chair ^{d, e}	300.0	255.0	25.0	33.3	325.0	288.3
Sinischa Horvat, vice chair ^d	300.0	255.0	25.0	25.0	325.0	280.0
Prof. Dr. Thomas Carell	200.0	170.0	–	–	200.0	170.0
Dame Alison Carnwath DBE ^f	200.0	170.0	112.5	112.5	312.5	282.5
Tatjana Diether ^g	200.0	170.0	50.0	50.0	250.0	220.0
Waldemar Helber ^h	200.0	170.0	12.5	12.5	212.5	182.5
Anke Schäferkordt ⁱ	200.0	170.0	50.0	41.7	250.0	211.7
Denise Schellemans	200.0	170.0	–	–	200.0	170.0
Liming Chen (since October 8, 2020)	200.0	40.0	–	–	200.0	40.0
Roland Strasser	200.0	170.0	–	–	200.0	170.0
Michael Vassiliadis ^{d, g}	200.0	170.0	75.0	75.0	275.0	245.0
Total compensation granted and owed for the business year within the meaning of section 162 AktG^j	2,900.0	2,143.3	400.0	379.2	3,300.0	2,522.5

^a The members of the Supervisory Board each voluntarily relinquished 20% of their fixed compensation for the period from April 1, 2020, until December 31, 2020.

^b Chair of the Personnel Committee since June 18, 2020

^c Chair of the Strategy Committee since June 18, 2020

^d Member of the Personnel and Strategy Committees

^e Member of the Audit Committee until February 29, 2020

^f Chair of the Audit Committee and member of the Strategy Committee

^g Member of the Audit Committee

^h Member of the Strategy Committee

ⁱ Member of the Audit Committee since March 1, 2020

^j In comparison with the 2020 Compensation Report, this figure no longer includes the Supervisory Board compensation of the members who left the Supervisory Board in 2020, Dr. Jürgen Hambrecht and Dr. Alexander C. Karp.

Comparison of earnings development with annual change in compensation

In accordance with section 162(1) sentence 2 no. 2 AktG, the following table shows the annual change in compensation granted and owed to the members of the Board of Executive Directors and Supervisory Board, the annual change in average employee (full-time equivalents) compensation and the annual change in BASF's earnings over the past five business years.

BASF SE's net income is used to represent the company's earnings development. Furthermore, ROCE is used to represent the BASF Group's earnings development, as this has been the primary company success indicator used as a performance criterion to determine

one-year variable compensation since 2018. The return on assets was used as the key performance indicator until the end of 2017.

Average employee compensation is based on the BASF SE employee population, including apprentices, in Germany (full-time equivalents).

Average employee compensation was calculated using personnel expenses (not including company pension benefits or severance payments). It includes wages and salaries (including variable compensation for the business year), fringe benefits and employer contributions to social security.

Business year

		2018	2019	2020	2021
		2018 vs. 2017 in %	2019 vs. 2018 in %	2020 vs. 2019 in %	2021 vs. 2020 in %
Earnings development / KPIs					
Return on Capital Employed (ROCE) ^a	Percentage change vs. previous year	-22.1% ^b	-35.8%	-77.9%	694.1%
	ROCE in % vs. previous year	(12.0% vs. 15.4%)	(7.7% vs. 12.0%)	(1.7% vs. 7.7%)	(13.5% vs. 1.7%)
Jahresüberschuss der BASF SE ^c	Percentage change vs. previous year	-4.7%	30.8%	1.2%	-0.5%

^a ROCE is relevant to the one-year variable compensation of the Board of Executive Directors and the employees of the BASF Group from the 2018 business year onward.

^b Figures for 2018 were restated with the presentation of the construction chemicals activities as discontinued operations.

^c The indicator net income of BASF SE is not relevant to the variable compensation of the Board of Executive Directors and the employees of the BASF Group.

Compensation of the Board of Executive Directors

Members	2018	2019	2020	2021
Current members				
Dr. Martin Bruder Müller (chair since May 4, 2018)	-20.5%	-6.2%	-18.4%	218.8 %
Dr. Hans-Ulrich Engel (vice chair since May 4, 2018)	-50.1%	-46.9%	-18.3%	216.6 %
Saori Dubourg (since May 12, 2017)	-7.9%	4.9%	-6.2%	134.3 %
Michael Heinz (since May 6, 2011)	-41.8%	-14.3%	-17.9%	240.6 %
Dr. Markus Kamieth (since May 12, 2017)	-8.4%	-14.0%	23.1%	133.7 %
Dr. Melanie Maas-Brunner (since February 1, 2021)	-	-	-	-
Members who left in the business year				
Wayne T. Smith (until May 31, 2021)	-38.0%	-7.7%	41.5%	153.7%
Former members				
Sanjeev Gandhi (until December 31, 2019)	-29.9%	-3.0%	-28.7%	24.0%
Dr. Kurt Bock (chair until May 4, 2018)	-66.4%	-72.4%	-0.3%	52.6%
Margret Suckale (until May 12, 2017)	-83.7%	1.1%	0.6%	1.1%
Dr. Andreas Kreimeyer (until April 30, 2015)	-81.4%	1.4%	1.6%	1.1%
Dr. Stefan Marcinowski (until April 27, 2012)	-44.0%	1.7%	1.3%	1.3%

Business year

	2018	2019	2020	2021
	2018 vs. 2017 in %	2019 vs. 2018 in %	2020 vs. 2019 in %	2021 vs. 2020 in %
Supervisory Board compensation				
Current members				
Dr. Kurt Bock (chair since June 18, 2020)	–	–	–	109.5%
Franz Fehrenbach (vice chair since May 3, 2019)	0.0%	33.3%	–13.5%	12.7%
Sinjscha Horvat (vice chair since May 12, 2017)	50.0%	0.0%	–13.8%	16.1%
Prof. Dr. Thomas Carell (since May 3, 2019)	–	–	27.5%	17.6%
Dame Alison Carnwath DBE	0.0%	0.0%	–9.6%	10.6%
Tatjana Diether (since May 4, 2018)	–	50.1%	–12.0%	13.6%
Waldemar Helber	4.2%	2.0%	–14.1%	16.4%
Anke Schäferkordt	0.0%	0.0%	5.9%	18.1%
Denise Schellemans	0.0%	0.0%	–15.0%	17.6%
Liming Chen (since October 8, 2020)	–	–	–	400.0%
Roland Strasser (since May 4, 2018)	–	50.0%	–15.0%	17.6%
Michael Vassiliadis	0.0%	0.0%	–10.9%	12.2%
Average employee compensation				
BASF SE employees	–4.1%	–1.1%	–1.1%	18.7%

Further information

The following symbols indicate further information:



You can find more information in BASF's annual report



References and the information that references refer to are not part of the audit of the compensation report.

Independent Auditor's Report

To BASF SE, Ludwigshafen am Rhein.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

We have audited the attached remuneration report of BASF SE, Ludwigshafen am Rhein, for the financial year from January 1, 2021 to December 31, 2021, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act]. We have not audited the content of additional information in the remuneration report specifically marked with "f.1" that goes beyond Section 162 AktG.

Responsibilities of Management and the Supervisory Board

The management and the Supervisory Board of BASF SE are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the remuneration report. The procedures selected depend on the auditor's professional judgement. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor

considers the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from January 1, 2021 to December 31, 2021, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG. We have not audited the content of additional information in the remuneration report specifically marked with "f.1" that goes beyond Section 162 AktG.

Other matter – formal examination of the remuneration report

The substantive audit of the remuneration report described in this independent auditor's report includes the formal examination of the remuneration report required by Section 162(3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162(1) and (2) AktG have been made, in all material respects, in the remuneration report.

Limitation of liability

The terms governing this engagement, which we fulfilled by rendering the aforesaid services to BASF SE, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2017. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Frankfurt am Main, February 22, 2022
KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by)

Dr. Kaiser
Wirtschaftsprüfer
(German public auditor)

Prof. Dr. Schütte-Biastoch
Wirtschaftsprüferin
(German public auditor)