

Dear ladies and gentlemen,

Below please find BASF SE's comments on the proposed new voting guidelines for non-executive director remuneration.

In your organization's view, are there particular circumstances when granting performance-based cash or equity (incl. stock options) to non-executive directors may merit support on an exceptional basis? If so, please explain.

According to the German Corporate Governance Code the Supervisory Board, whose members are non-executive directors, advises and supervises the Board of Executive Directors on management issues. The Supervisory Board must be involved in decisions of fundamental importance to the enterprise. The compensation of non-executive directors shall be linked to their tasks and the economic situation of the company.

Through its advisory role the Supervisory Board supports the further development of a company's strategy to foster sustainable growth. The systematic link to the economic situation of the company requires variability in non-executive director's compensation; variable compensation systems should therefore not be disapproved of in general, but should be judged based on a careful analysis.

Performance-based compensation systems for non-executive directors, that are designed to incentivize the orientation of the company to sustainable long-term growth, can be an appropriate tool to support the success of the company. However, this does not hold true for performance-based compensation which is solely linked to the short-term company performance.

Performance-based cash compensation plans should be considered in a positive way if they set appropriate thresholds and caps, i.e. paying either close to or the cap amount during times of a good economic situation of the company and below the cap if the economic situation is challenging.

In light of the above mentioned circumstances in the German market, would your organization favor a carve-out or delay on the implementation of the new policy on performance-based cash for German companies?

Both, the German Stock Corporation Law (Aktiengesetz) as well as the German Corporate Governance Code (DCGK, "Code") expressly accept and allow the option of performance-related compensation which should be oriented towards sustainable growth of the enterprise. Until 2012, the Code even explicitly recommended to grant the non-executive directors a compensation linked to the performance of the enterprise. This recommendation was changed in order to allow companies to grant purely fixed compensation to non-executive directors without deviating from the Code.

As long as the Code - in line with German Stock Corporation Law - explicitly allows the option of performance-related pay, a carve-out for German companies should be granted in the voting policy to avoid contradictions with the existing legal framework.

Best regards

Lars Reichmann

Vice President Executive HR Germany

Phone: +49 621 60-47080, Mobile: +49 1522 9861084, Email: lars.reichmann@basf.com
Postal Address: BASF SE, ZOF/A - C013, 67056 Ludwigshafen am Rhein, Germany



We create chemistry

BASF SE, Registered Office: 67056 Ludwigshafen, Germany
Registration Court: Amtsgericht Ludwigshafen, Registration No.: HRB 6000
Chairman of the Supervisory Board: Juergen Hambrecht
Board of Executive Directors:
Kurt Bock, Chairman; Martin Brudermueller, Vice Chairman; Hans-Ulrich Engel,
Sanjeev Gandhi, Michael Heinz, Harald Schwager, Wayne T. Smith, Margret Suckale