

A woman with shoulder-length brown hair, wearing a grey blazer over a red collared shirt and black trousers, stands in a modern office atrium. She is smiling and holding a large yellow sign with white text. The sign is positioned in front of a large window that looks out onto a multi-story office building. In the foreground, the back of a light-colored wooden chair is visible. The ceiling features a grid of recessed lighting fixtures.

**THERESA EGLER**

is one of over 80 BASF compliance officers worldwide.

\* We believe that good corporate governance fosters trust among employees, investors, financial markets, business partners and the public.

**TRUST**  
IS NOT SOMETHING  
YOU CAN SEE\*

## VALUE FOR BASF

### Long-term support



Supporting employees in North America as compliance trainers: Theresa Egler, Jonathan Harper, David Stryker and Elizabeth Rodriguez (from right to left).

#### Earning Trust

Trust in our company can be made visible: through motivated employees, who also want to profit from being long-term investors. Or through investors, who build on our sustainable strategy. The aim of our Compliance Program is to prevent legal violations through training and education and thereby avoid them. At the same time, we assess whether our guidelines and voluntary commitments are being implemented. This is just one element of the corporate governance system. Good corporate governance secures the long-term acceptance and support for our corporate conduct.

## VALUE FOR SOCIETY

### Transparent companies



BASF shareholders at the Annual Meeting in 2008.

#### Securing the interests of investors

Investors only invest in companies whose business models and management they trust. Transparent corporate management and control simplify the international comparison of company structures and prevent unwanted developments. Thus, responsible corporate governance protects the interests of investors and strengthens the credibility of companies.

# 03

## CORPORATE GOVERNANCE

Corporate Governance of the BASF Group .....	128
Management and Supervisory Boards .....	133
Compensation Report .....	137
Report of the Supervisory Board .....	144
Declaration of Conformity .....	148

# CORPORATE GOVERNANCE OF THE BASF GROUP

Corporate governance refers to the entire system for managing and supervising a company, including its organization, its commercial principles and guidelines as well as all internal and external regulatory and monitoring mechanisms. Effective and transparent corporate governance guarantees that BASF is managed and monitored in a responsible and value-driven manner. This fosters the confidence of our domestic and international investors, the financial markets, our business partners, employees and the public in the company.

## Conversion of BASF Aktiengesellschaft into BASF SE

As of January 14, 2008, BASF took on the new European legal form of a European Company. A highly significant goal of the conversion into BASF SE was the strengthening of BASF's corporate governance structure. By reducing the size of the Supervisory Board to 12 members while maintaining the equal representation of shareholders and employees and broadening the European composition of the employee representatives' side, the future direction for a modern and efficient corporate constitution has been set. Proven structures such as the two-tier administrative system of BASF's Board of Executive Directors and Supervisory Board will be retained in the SE.

## Management and supervision in BASF SE

The legal foundations of BASF SE's corporate constitution are primarily the SE Council Regulation of the European Union, the German SE Implementation Act and the German Stock Corporation Act. Despite these new legal foundations, the previous fundamental elements of BASF Aktiengesellschaft's corporate constitution remain unchanged in BASF SE: these are the two-tier system consisting of BASF's Board of Executive Directors and the Supervisory Board, the equal representation of shareholders and employees in the Supervisory Board and the shareholders' rights of co-administration and supervision at the Annual Meeting.

## Direction and management by the Board of Executive Directors

Under the two-tier administrative system of BASF SE, the Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board: A member of the Supervisory Board cannot simultaneously be a member of the Board of Executive Directors. The Board of Executive Directors agrees on company goals and corporate strategy and manages and monitors the business units of the BASF Group through the planning and setting of the company budget, the allocation of resources and management capacities, the monitoring and decision making regarding significant individual measures, and the control of the operational management. The Board is obliged to act and decide in the company's best interests. It is dedicated to the goal of increasing the company's value in the long term. The decisions made by the Board of Executive Directors are based on a simple majority. In the case of a tied vote, the casting vote is given by the Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors.

The Board of Executive Directors reports to the Supervisory Board regularly, comprehensively and in a timely manner on all relevant matters concerning the company with regard to strategic planning, business development, risks and risk management. Furthermore, the Board agrees on corporate strategy with the Supervisory Board. Where required by the Statutes of BASF SE, the Board of Executive Directors must have the approval of the Supervisory Board for certain transactions before they are concluded. Such cases include the acquisition and disposal of enterprises and parts of enterprises, the issuance of bonds or comparable financial instruments provided the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last Consolidated Financial Statements of the BASF Group.

→ The members of the Board of Executive Directors, including their membership of the supervisory bodies or other companies, are listed on pages 133 to 136. The compensation of the Board of Executive Directors is described in detail in the Compensation Report on pages 137 to 143.

### Monitoring of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and monitors and advises the Board on management issues. Members of the Supervisory Board cannot simultaneously be members of the Board of Executive Directors. Structurally, this ensures a high level of autonomy with regards to the supervision of the Board of Executive Directors.

The change in legal form to an SE has brought about substantial changes in the Supervisory Board. The German Codetermination Act, which is the relevant statutory foundation regarding the size and composition of the Supervisory Board of an Aktiengesellschaft, does not apply to the SE. Together with the SE Council Regulation, the relevant statutory foundations are the statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) that was signed on November 15, 2007, by the company management and the representatives of BASF Group's European employees.

→ The statutes of BASF SE and the Employee Participation Agreement can be found on the Internet at [basf.com/en/investor/cg](http://basf.com/en/investor/cg)

While the Supervisory Board of BASF Aktiengesellschaft acting until January 14, 2008, comprised 20 members, 10 of whom elected at the Annual Meeting and 10 of whom elected by employees employed in Germany by the BASF Group Companies, the Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Meeting. The remaining six members are elected by the "BASF Europa Betriebsrat," the European employee representation body of the BASF Group, as agreed to in the Employee Participation Agreement.

→ The members of the Supervisory Board of BASF Aktiengesellschaft with effect until January 14, 2008, and the members of the first Supervisory Board of BASF SE including their membership of the supervisory bodies of other companies are listed on pages 133 to 136. The compensation of the Supervisory Board is described in detail in the Compensation Report on pages 137 to 143.

Resolutions of the Supervisory Board are passed by a simple majority of the votes of the participating members of the Supervisory Board. In the event of a tie, the vote of the Chairman of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board.

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

The **Personnel Committee**, among other things, prepares the appointment of members of the Board of Executive Directors by the Supervisory Board, develops the main features of the Board of Executive Directors' compensation, and, based on the decisions of the Supervisory Board, sets the details of Board of Executive Directors members' remuneration and related contractual issues. It comprises Supervisory Board Chairman Dr. Jürgen Strube (chairman) as well as Supervisory Board members Robert Oswald, Dr. Tessen von Heydebreck and Michael Vassiliadis.

The **Audit Committee** makes preparations for the negotiations and resolutions of the Supervisory Board for the approval of the financial statements and consolidated financial statements, considers the Quarterly and First-Half financial reports with the Board of Executive Directors prior to their publication and deals with risk monitoring and the internal control over financial reporting. The Audit Committee is also responsible for business relations with the company's auditor: It prepares the Supervisory Board's proposal to the Annual Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the key aspects of the audit together with the auditor, negotiates the auditing fees and establishes the conditions for the provision of the auditor's non-audit services. The members of the Audit Committee are Max Dietrich Kley, Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The chairman of the Audit Committee is Max Dietrich Kley.

Max Dietrich Kley has particular knowledge and experience in the application of accounting principles and internal control procedures, and has been named by the Supervisory Board as Audit Committee Financial Expert.

According to the recommendation of the German Corporate Governance Code, newly introduced in July 2007, BASF's Supervisory Board established a **Nomination Committee** that will prepare the proposals for the election of Supervisory Board members at the Annual Meeting. The members of the Nomination Committee are the members of the Supervisory Board elected at the Annual Meeting, in other words, Prof. Dr. Jürgen Strube, Prof. Dr. Francois Diederich, Michael Diekmann, Franz Fehrenbach, Dr. Tessen von Heydebreck and Max Dietrich Kley.

#### Shareholders' rights

At the Annual Meeting, shareholders perform their rights of co-administration and supervision. Each BASF SE share represents one vote. Shareholders may exercise their voting rights at the Annual Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders are entitled to participate in the Annual Meeting, to have their say concerning any resolution and to demand information about company issues to the extent that it serves to help make an informed judgment about the resolution under discussion. Half of the members of the Supervisory Board are elected at the Annual Meeting where above all the formal discharge of the Board of Executive Directors and the Supervisory Board is decided on as well as the distribution of profits, capital measures, the authorization of share buy-backs and changes to the statutes.

#### German Corporate Governance Code

BASF accords good Corporate Governance great importance. We therefore support the German Corporate Governance Code, which we regard as an important tool in the capital market-focused continuing development of corporate governance and control, and advocate responsible corporate governance that focuses on a sustainable increase in the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code in its revised version of June 2008. This also applies to the new recommendations of the Code regarding the Supervisory Board's dealing with the compensation of Board members, the limits on severance payments to Board members who cease their duties prior to the expiry of their term of office as well as the consideration of the interim reports by the Audit Committee.

You can find the joint Declaration of Conformity 2008 of the Board of Executive Directors and Supervisory Board of BASF SE at the end of this section on page 148. In the same manner, BASF also fulfils most of the non-obligatory suggestions of the German Corporate Governance Code. Sole exceptions are suggestions regarding the Chair of the Audit Committee and the consideration of the compensation components of the Supervisory Board that are based on the long-term success of the company.

→ The Declaration of Conformity 2008, an overview of the implementation of the code's suggestions and the German Corporate Governance Code are available on our website at [basf.com/governance\\_e](http://basf.com/governance_e)

### Values and Principles of the BASF Group/ Code of Conduct

In order to guarantee a high standard of corporate governance, the Board of Executive Directors has set down and published the “Values and Principles” of the BASF Group, and the “Code of Conduct/Compliance Program.” These lay down our business principles and guidelines for the conduct of all activities within the BASF Group. The Code of Conduct describes in detail the conduct we expect from BASF employees – based on the principle of integrity. Key areas for us include observing all relevant legislation, in particular antitrust and competition legislation, embargo and export controls legislation – including those on chemical weapons, labor laws and legislation relating to plant safety. Other issues covered are bans on insider dealing and bans on facilitation payments to, or from, business partners or government officials, and the responsible treatment of BASF’s assets. The Corporate Audit department, together with BASF’s Chief Compliance Officer, monitors compliance on a regular basis.

→ The “Values and Principles” of the BASF Group and the “Code of Conduct” are also available on the Internet at [basf.com/values](http://basf.com/values)

### Disclosure according to Section 315 (4) of the German Commercial Code and the explanatory report of the Board of Executive Directors according to Section 175 (2) of the German Stock Corporation Act

As of December 31, 2008, the subscribed capital of BASF SE amounted to €1,181,604,565.76, divided into 923,128,567 bearer shares with no par value (thereof 4,649,873 bought back and designated for cancellation). Each share shall, at an Annual Meeting, entitle the holder to one vote. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties are associated with all shares. According to the statutes, shareholders are not entitled to securitized shares (issued share certificates). There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, Section 16 of the SE Implementation Act and Sections 84, 85 of the German Stock Corporation Act as well as Section 7 of the BASF SE statutes. Members of the Board of Executive Directors are appointed and dismissed by the Supervisory Board according to these Acts. The members of the Board of Executive Directors are appointed for a maximum of five years, re-appointments being permissible. The Supervisory Board can dismiss a member of the Board of

Executive Directors if there is significant reason to do so. Examples include, in particular, a gross breach of the duties pertaining to the Board of Executive Directors or a motion of no confidence at the Annual Meeting. Appointments and dismissals are decided by the Supervisory Board according to their dutiful discretion.

Amendments to the statutes of BASF SE require a resolution on the Annual Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German public limited liability companies do not stipulate or allow for larger majority requirements (Section 59, paragraph 1 SE Council Regulation). In the case of amendments to the statutes, the German Stock Corporation Act (Section 179, paragraph 2) requires a majority of at least three quarters, of the subscribed capital represented. Pursuant to Art. 12 No. 6 of the statutes of BASF SE, the Supervisory Board is authorized to make amendments to the statutes which only concern their wording. This applies, in particular to the alignment of share capital and the number of shares after a BASF share buyback and after a new issue of shares from the authorized capital.

Until May 1, 2009, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Meeting of April 29, 2004 to increase the subscribed capital, with the consent of the Supervisory Board, by a total amount of €500 million through the issue of new shares (authorized capital). This includes the authorization of the Board of Executive Directors to exclude the statutory subscription right of the shareholders in certain cases outlined in Section 5, paragraph 8 in the BASF SE statutes. Such cases include the acquisition of companies, parts of companies or holdings in companies, in return for the transfer of BASF shares and capital increases in return for cash contributions, provided that the issue price of the new shares is not substantially lower than the stock market price of the BASF share and the total number of shares issued under this authorization is not more than 10% of the subscribed capital on the date of issue.

The Annual Meeting of April 24, 2008, empowered the Board of Executive Directors to buy back up to 10% of the shares until 23 October, 2009. The shares will be purchased at the discretion of the Board of Executive Directors, via the stock exchange or a public purchase offer addressed to all shareholders. The Board is empowered to cancel the shares bought back and to reduce share capital by the portion of the cancelled shares in the share capital. The shares bought back can be reissued after a resolution of the Annual Meeting passed with a three-quarters majority. However, notwithstanding the above, the Board of Executive Directors is authorized, with consent of the Supervisory Board to use the shares bought back for the acquisition of companies, parts of companies or holdings in companies without a resolution from the Annual Meeting.

In the case of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation details of which are listed in the compensation report on page 140. A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. In addition, employees of BASF SE and its subsidiaries who are designated as 'executives' (Obere Führungskräfte) will receive a severance payment if their contract of employment is terminated by BASF within 18 months after the change-of-control event, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a severance payment to the maximum of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of-control event.

The remaining specifications stipulated in Section 315, paragraph 4 of the German Commercial Code refer to situations that are not applicable to BASF SE.

#### **Directors' and Officers' liability insurance**

BASF has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (D&O insurance). The policy provides for a suitable level of deductibles.

#### **Share ownership by members of the Board of Executive Directors and the Supervisory Board**

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the entire holdings by members of the Board of Executive Directors and the Supervisory Board account for less than 1% of the shares issued by the company.

#### **Share dealings of the Board of Executive Directors and Supervisory Board (notifiable transactions under Section 15a of German Securities Trading Act)**

In accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), all members of the Board of Executive Directors and the Supervisory Board, as well as certain of their relatives, are required to disclose the purchase or sale of BASF shares and other related rights to the German Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2008, there were a total of 37 reportable purchase transactions notified by the members of the Board of Executive Directors and the Supervisory Board and their relatives obliged to report. The transactions involved between 50 and 20,000 BASF shares, with a share price between €21.00 (after stock split) and €97.31 (before stock split). The volume of the individual trades was between €4,520.50 and €514,970.73.

→ All transactions reported in 2008 are published on the Internet at [basf.com/governance/sharedealings\\_e](http://basf.com/governance/sharedealings_e)

# MANAGEMENT AND SUPERVISORY BOARDS

## Board of Executive Directors

As of December 31, 2008, there were eight members on the **Board of Executive Directors of BASF SE**.

### DR. JÜRGEN HAMBRECHT Chairman of the Board of Executive Directors

**Responsibilities:** Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications BASF Group; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer

**First appointed:** 1997 (chairman since 2003)

**Term expires:** 2011

#### Supervisory board memberships (excluding internal memberships):

Bilfinger Berger AG (supervisory board member until May 21, 2008)  
Daimler AG (supervisory board member since February 7, 2008)  
Lufthansa AG (supervisory board member since April 29, 2008)

### DR. KURT BOCK

**Responsibilities:** Catalysts; Market & Business Development North America; Regional Functions North America; Finance; Information Services; Corporate Controlling; Corporate Audit

**First appointed:** 2003

**Term expires:** 2012

#### Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)  
Wintershall AG (supervisory board member until June 25, 2008)

#### Comparable German and non-German controlling bodies:

The European Equity Fund, Inc. (member of the board of directors)  
The Central Europe and Russia Fund, Inc. (member of the board of directors)

### DR. MARTIN BRUDERMÜLLER

**Responsibilities:** Performance Polymers; Polyurethanes; Styrenics; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific

**First appointed:** 2006

**Term expires:** 2013

### DR. HANS-ULRICH ENGEL (since March 4, 2008)

**Responsibilities:** Oil & Gas; Region Europe; Global Procurement & Logistics

**First appointed:** 2008

**Term expires:** 2011

#### Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board chairman since March 6, 2008)  
Wintershall AG (supervisory board member since June 25, 2008, supervisory board chairman since July 8, 2008)

### DR. JOHN FELDMANN

**Responsibilities:** Construction Chemicals; Acrylics & Dispersions; Care Chemicals; Performance Chemicals; Polymer Research

**First appointed:** 2000

**Term expires:** 2009

#### Supervisory board memberships (excluding internal memberships):

Bilfinger Berger AG (supervisory board member since May 21, 2008)

#### Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Coatings AG (supervisory board member)  
Wintershall Holding AG (supervisory board chairman until March 6, 2008, supervisory board member until June 25, 2008)  
Wintershall AG (supervisory board chairman until June 25, 2008)

### DR. ANDREAS KREIMEYER

**Responsibilities:** Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business

**First appointed:** 2003

**Term expires:** 2012

#### Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member since June 25, 2008)

### DR. STEFAN MARCINOWSKI

**Responsibilities:** Crop Protection; Coatings; Region South America; Specialty Chemicals Research; BASF Plant Science

**First appointed:** 1997

**Term expires:** 2012

#### Supervisory board memberships (excluding internal memberships):

DWS Investment GmbH (supervisory board member since April 3, 2008)

#### Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)  
Wintershall AG (supervisory board member until June 25, 2008)  
BASF Coatings AG (supervisory board chairman)

**DR. HARALD SCHWAGER**

**Responsibilities:** Human Resources; Engineering & Maintenance; Environment, Health & Safety; Verbund Site Management Europe; Corporate & Governmental Relations

**First appointed:** 2008

**Term expires:** 2010

**Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:**

BASF Schwarzheide GmbH (supervisory board chairman)

**Comparable German and non-German controlling bodies:**

BASF Antwerp N.V. (chairman of the administrative council)

**Resigned from the Board of Executive Directors of BASF in 2008:**

**PETER OAKLEY (resigned on January 14, 2008)**

**Responsibilities:** Agricultural Products; Fine Chemicals; Specialty Chemicals Research; BASF Plant Science

**First appointed:** 1998

**DR. H.C. EGGERT VOSCHERAU (resigned on April 24, 2008)**

**Deputy Chairman of the Board of Executive Directors**

**Responsibilities:** Human Resources; Engineering & Maintenance; Environment, Health & Safety; Verbund Site Management Europe; Corporate & Governmental Relations

**First appointed:** 1996

**Supervisory board memberships (excluding internal memberships):**

HDI Haftpflichtverband der Deutschen Industrie VVaG (supervisory board member)

Talanx AG (supervisory board member)

CropEnergies AG (supervisory board chairman)

Deutsche Bahn AG (supervisory board member until December 31, 2008)

Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW)

(supervisory board deputy chairman)

**Comparable German and non-German controlling bodies:**

Nord Stream AG (supervisory board member)

**Supervisory Board**

In accordance with the statutes, the **Supervisory Board of BASF SE** comprises 12 members. Until the entry of the conversion from BASF Aktiengesellschaft into the legal form of a European company (SE) in the commercial register on January 14, 2008, the Supervisory Board of BASF Aktiengesellschaft comprised 20 members. The term of all supervisory board members of BASF Aktiengesellschaft ended with the entry of the conversion in the commercial register. Based on Section 35 (1) of the German Act on the Involvement of Employees in a European Company (SE Involvement Act - SEBG), BASF SE is following the principle of parity between shareholder representatives and employee representatives already applied for the constitution of the Supervisory Board of BASF Aktiengesellschaft. The six shareholder representatives were elected at the Annual Meeting on April 26, 2007 within the decision on the conversion into an SE. By way of deviation from Section 40 (2) of the Council Regulation (EC) No. 2157/2001, the six employee representatives are not elected by the Annual Meeting, but appointed by the representative body of the employees, the BASF Europa Betriebsrat, according to the Agreement Concerning the Involvement of Employees in BASF SE concluded within the conversion procedure based on Section 21 ff. SEBG. The employee representatives on the first Supervisory Board of BASF SE have been appointed directly by the Agreement Concerning the Involvement of Employees in BASF SE and are, except for Mr. Ralf Sikorski, members of the Supervisory Board with effect from January 14, 2008 (day of entry of BASF SE in the commercial register of the Ludwigshafen district court). Mr. Ralf Sikorski was appointed directly by the Agreement Concerning the Involvement of Employees in BASF SE on May 31, 2008 as the substitute member of the Supervisory Board for Mr. Ulrich Küppers, who resigned on May 30, 2008. The term of office of all members of the first Supervisory Board of BASF SE terminates upon the conclusion of the Annual Meeting of BASF SE to be held in 2009.

**MEMBERS OF THE FIRST SUPERVISORY BOARD OF BASF SE**

**PROF. DR. JÜRGEN STRUBE, Mannheim, Germany**

**Chairman of the Supervisory Board of BASF SE**

**Former Chairman of the Supervisory Board of BASF Aktiengesellschaft**

**Supervisory board memberships (excluding internal memberships):**

Allianz Deutschland AG (supervisory board member)

Bayerische Motoren Werke AG (supervisory board deputy chairman)

Bertelsmann AG (supervisory board deputy chairman)

Commerzbank AG (supervisory board member until May 15, 2008)

Fuchs Petrolub AG (supervisory board chairman)

Hapag-Lloyd AG (supervisory board member)

Linde AG (supervisory board member until June 3, 2008)

**MICHAEL DIEKMANN, Munich, Germany****Deputy Chairman of the Supervisory Board of BASF SE****Chairman of the Board of Management of Allianz SE****Supervisory board memberships (excluding internal memberships):**

Linde AG (supervisory board deputy chairman)

Lufthansa AG (supervisory board member until April 29, 2008)

Siemens AG (supervisory board member since January 24, 2008)

**Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:**

Allianz Deutschland AG (supervisory board chairman)

Allianz Global Investors AG (supervisory board chairman)

Dresdner Bank AG (supervisory board chairman until January 12, 2009)

**Comparable German and non-German controlling bodies:**

Assurances Générales de France (member of the administrative council)

Allianz S.p.A. (member of the administrative council)

**ROBERT OSWALD, Altrip, Germany****Deputy Chairman of the Supervisory Board of BASF SE****Chairman of the works council of the Ludwigshafen site of BASF SE and chairman of the joint works council of the BASF Group****RALF-GERD BASTIAN, Neuhofen, Germany****Member of the works council of the Ludwigshafen site of BASF SE****WOLFGANG DANIEL, Limburgerhof, Germany****Deputy chairman of the works council of the Ludwigshafen site of BASF SE****PROF. DR. FRANÇOIS DIEDERICH, Zurich, Switzerland****Professor at the Swiss Federal Institute of Technology Zurich****FRANZ FEHRENBACH, Stuttgart, Germany****Chairman of the Board of Management of Robert Bosch GmbH****Comparable German and non-German controlling bodies:**

Robert Bosch Corporation (Member of the board of directors)

**DR. TESSEN VON HEYDEBRECK, Berlin, Germany****Former Member of the Board of Managing Directors of Deutsche Bank AG****Supervisory board memberships (excluding internal memberships):**

DWS Investment GmbH (supervisory board deputy chairman)

Vattenfall Europa AG (supervisory board member since June 16, 2008)

Dussmann Verwaltungs AG (supervisory board member since January 1, 2009)

**Comparable German and non-German controlling bodies:**

Deutsche Bank OOO (supervisory board chairman)

Deutsche Bank Polska S.A. (supervisory board chairman)

Deutsche Bank Rt. Budapest (supervisory board chairman until May 28, 2008)

**MAX DIETRICH KLEY, Heidelberg, Germany****Lawyer****Former Deputy Chairman of the Board of Executive Directors of BASF Aktiengesellschaft****Supervisory board memberships (excluding internal memberships):**

HeidelbergCement AG (supervisory board member)

Infineon Technologies AG (supervisory board chairman)

Schott AG (supervisory board member)

SGL Carbon AG (supervisory board chairman)

**Comparable German and non-German controlling bodies:**

Unicredito Italiano S.p.A. (member of the Board of Directors)

**DENISE SCHELLEMANS, Kalmthout, Belgium****Full time trade union delegate****RALF SIKORSKI, Wiesbaden, Germany (since May 31, 2008)****Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union****Supervisory board memberships (excluding internal memberships):**

Villeroy &amp; Boch AG (supervisory board member since April 8, 2008)

Villeroy &amp; Boch Fliesen GmbH (supervisory board member since April 8, 2008)

Evonik Power Saar GmbH (supervisory board deputy chairman since May 14, 2008)

Evonik New Energies GmbH (supervisory board deputy chairman since May 14, 2008)

**MICHAEL VASSILIADIS, Hemmingen, Germany****Member of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union****Supervisory board memberships (excluding internal memberships):**

K+S AG (supervisory board deputy chairman)

K+S Kali GmbH (supervisory board deputy chairman)

Henkel KGaA (supervisory board member)

Evonik Steag GmbH (supervisory board deputy chairman)

**Resigned from the Supervisory Board on May 30, 2008:****ULRICH KÜPPERS, Ludwigshafen, Germany****Member of Management of Treuhandstelle für Bergmannswohnstätten im rheinisch-westfälischen Steinkohlenbezirk GmbH**

Until the entry of the conversion from BASF Aktiengesellschaft into an SE in the commercial register on January 14, 2008, the Supervisory Board of BASF Aktiengesellschaft comprised 20 members, half of which were elected by the Annual Meeting and the other half by the employees.

**PROF. DR. JÜRGEN STRUBE**, Mannheim, Germany  
Chairman of the Supervisory Board

**ROBERT OSWALD**, Altrip, Germany  
Supervisory board deputy chairman

**RALF-GERD BASTIAN**, Neuhofen, Germany  
Member of the works council of the Ludwigshafen site of BASF SE

**WOLFGANG DANIEL**, Limburgerhof, Germany  
Deputy chairman of the works council of the Ludwigshafen site of BASF SE

**PROF. DR. FRANÇOIS DIEDERICH**, Zurich, Switzerland  
Professor at the Swiss Federal Institute of Technology Zurich

**MICHAEL DIEKMANN**, Munich, Germany  
Chairman of the Board of Management of Allianz SE

**DR. TESSEN VON HEYDEBRECK**, Berlin, Germany  
Former Member of the Board of Managing Directors of Deutsche Bank AG

**ARTHUR KELLY**, Chicago, Illinois, USA  
Managing Partner of KEL Enterprises L. P.

**ROLF KLEFFMANN**, Wehrbleck, Germany  
Chairman at the Employee Council of Erdölwerke Barnstorf der Wintershall Holding AG

**MAX DIETRICH KLEY**, Heidelberg, Germany  
Lawyer

**PROF. DR. RENATE KÖCHER**, Allensbach, Germany  
Managing Director of the 'Institut für Demoskopie Allensbach',  
Gesellschaft zum Studium der öffentlichen Meinung mbH

**EVA KRAUT**, Ludwigshafen, Germany  
Chairman of the works council of BASF IT Services GmbH,  
Betrieb Ludwigshafen

**ULRICH KÜPPERS**, Ludwigshafen, Germany  
Member of Management of Treuhandstelle für Bergmannswohnstätten  
im rheinisch-westfälischen Steinkohlenbezirk GmbH

**KONRAD MANTEUFFEL**, Bensheim, Germany  
Member of the works council of the Ludwigshafen site of BASF SE

**HANS DIETER PÖTSCH**, Wolfsburg, Germany  
Member of the Board of Management of Volkswagen AG

**PROF. DR. HERMANN SCHOLL**, Stuttgart, Germany  
Chairman of the Supervisory Council of Robert Bosch GmbH  
and Managing Director of Robert Bosch Industrietreuhand KG

**RALF SIKORSKI**, Ludwigshafen, Germany  
Regional manager of the Ludwigshafen branch Mining, Chemical  
and Energy Industries Union

**ROBERT STUDER**, Zurich, Switzerland  
Former Chairman of the Supervisory Board at Union Bank of Switzerland

**MICHAEL VASSILIADIS**, Hemmingen, Germany  
Member of the Central Board of Executive Directors of the Mining,  
Chemical and Energy Industries Union

**DR. FRIEDRICH WIRSING**, Kaiserslautern, Germany  
Plant manager of the Ludwigshafen site of BASF SE

# COMPENSATION REPORT

**This report outlines the main principles of the compensation system for the Board of Executive Directors and discloses the amount and structure of the compensation for each individual Board member. Furthermore, this report provides information on end-of-service undertakings with respect to Board members. The report also includes information on the compensation of the Supervisory Board members.**

## Compensation of Board members

This report meets the disclosure requirements of the German Commercial Code extended by the additional requirements for the Board of Executive Directors based on the German Law on the Disclosure of Compensation of Members of the Board (Vorstandsvergütungs-Offenlegungsgesetz) and is aligned with the recommendations of the German Corporate Governance Code.

The compensation of Board members is determined upon the proposal of the Personnel Committee (Personalausschuss, see page 129) and confirmed by the Supervisory Board (see page 134). The amount of compensation is individually determined by the Personnel Committee. The determination of the amount and structure of the compensation depends on the company's size and its financial position as well as the performance of the Board of Executive Directors. Globally operating European-based companies serve as a reference. A review of the amount and structure of compensation of Board members regularly takes place every three years. The last review took place on April 27, 2006. This review resulted in an increase of the variable bonus as of 2007.

The compensation of Board members is composed of:

1. a fixed annual salary,
2. an annual variable bonus,
3. stock price-based compensation in the form of virtual stock options (hereafter options) as a long-term component,
4. non-monetary compensation and other additional compensation in varying amounts, and
5. company pension benefits.

The amount of the annual variable compensation, the value of the options granted and the company pension are largely determined by company performance. This means, in terms of total compensation, significance is attached to company performance.

The compensation components are shown in detail below:

1. The annual fixed compensation is paid in equal monthly payments.
2. The return on assets (ROA) is used to determine the variable compensation of all groups of employees and also determines the Board member's annual variable compensation (variable bonus). The variable bonus for the prior fiscal year is payable after the Annual Meeting. Board members, as other employee groups, may contribute a portion of their bonus up to a maximum of €30,000 annually into a deferred compensation program. Board members have taken advantage of this offering to varying degrees.
3. Board members may also participate in the BASF option program (BOP) for senior executives (see table below). For further details on the BASF option program, see page 210.
4. Non-monetary compensation and other additional compensation include: delegation allowances, accident insurance premiums and other similar benefits, as well as the personal use of, or benefit from, communication equipment, company cars and security measures made available by the company. The members of the Board did not receive loans or advances from the company.
5. For details on the company pension benefits, see page 139.

Based on these principles, individual Board members received the following compensation:

Thousand €

	Year	Non-performance related compensation		Performance related compensation	Total cash compensation	Options granted <sup>2</sup>		Total compensation (cash compensation plus options granted)
		Fixed salary	Non-monetary compensation and other additional compensation	Variable bonus <sup>1</sup>		Number	Market value at option grant date	
Dr. Jürgen Hambrecht Chairman of the Board of Executive Directors	2008	1,100	112	2,220	3,432	74,328	967	4,399
	2007	1,100	140	2,800	4,040	60,168	1,172	5,212
Dr. h.c. Eggert Voscherau Vice Chairman of the Board of Executive Directors (until April 24, 2008)	2008	244	33	492	769	–	–	769
	2007	732	145	1,862	2,739	40,008	779	3,518
Dr. Harald Schwager (since January 1, 2008)	2008	550	337 <sup>3</sup>	1,110	1,997	14,728	192	2,189
	2007	–	–	–	–	–	–	–
Dr. Kurt Bock	2008	555 <sup>4</sup>	855 <sup>5</sup>	1,110	2,520	37,160	483	3,003
	2007	550	106	1,400	2,056	30,080	586	2,642
Dr. John Feldmann	2008	550	71	1,110	1,731	37,160	483	2,214
	2007	550	93	1,400	2,043	30,080	586	2,629
Dr. Hans-Ulrich Engel (since March 4, 2008)	2008	457	325 <sup>3</sup>	925	1,707	11,944	155	1,862
	2007	–	–	–	–	–	–	–
Dr. Andreas Kreimeyer	2008	550	98	1,110	1,758	37,160	483	2,241
	2007	550	96	1,400	2,046	30,080	586	2,632
Dr. Stefan Marcinowski	2008	550	83	1,110	1,743	37,160	483	2,226
	2007	550	102	1,400	2,052	30,080	586	2,638
Dr. Martin Bruder Müller	2008	550	941 <sup>5</sup>	1,110	2,601	37,160	483	3,084
	2007	550	964 <sup>5</sup>	1,400	2,914	30,080	586	3,500
Peter Oakley (until January 14, 2008)	2008	113	22	231	366	–	–	366
	2007	550	123	1,400	2,073	30,080	586	2,659
Klaus Peter Löbbecke (until July 31, 2007)	2008	–	–	–	–	–	–	–
	2007	309 <sup>4</sup>	621 <sup>5</sup>	1,072	2,002	30,080	586	2,588
	<b>Total 2008:</b>	<b>5,219</b>	<b>2,877</b>	<b>10,528</b>	<b>18,624</b>	<b>286,800</b>	<b>3,729</b>	<b>22,353</b>
	Total 2007:	5,441	2,390	14,134	21,965	310,736	6,053	28,018

<sup>1</sup> The variable bonus is based on the return on assets, which is also used to determine the variable compensation of other groups of employees. The shown figure includes all contributions, if any, made to the deferred compensation program.

<sup>2</sup> The 2007 figures have been adjusted for the two-for-one stock split conducted in the second quarter of 2008.

<sup>3</sup> Includes expenses for security measures on residence following appointment to the Board of Executive Directors.

<sup>4</sup> Payment is made in local currency based on a theoretical (pro rata temporis) net salary in Germany. As a result, there is a deviation from the contractually agreed fixed gross salary (€550,000 yearly).

<sup>5</sup> Includes delegation allowances, such as the assumption of prevailing local rental fees.

In 2007, personnel expenses were allotted to the options issued, however in 2008 the options lead to earnings. These earnings refer to the sum of all options from the programs BOP 2001 to BOP 2008. The figure is derived by the difference in the value of the options on December 31, 2008, compared with the value on December 31, 2007, considering the options exercised and granted in 2008. The value of the options is based primarily on the develop-

ment of the BASF share price and its outperformance compared with the benchmark index chosen for the programs BOP 2001 to BOP 2008. Because the value of the options on December 31, 2008 was lower than the value of the options on December 31, 2007, there were no personnel expenses for 2008, but rather earnings. The main reason for the lower value of the options on December 31, 2008 was the decreased price of BASF shares.

The earnings for the year 2008 relating to the options issued were as follows:

Dr. Jürgen Hambrecht €1,055 thousand (2007: personnel expenses amounting to €6,268 thousand); Dr. h.c. Eggert Voscherau €766 thousand (2007: personnel expenses amounting to €3,226 thousand); Dr. Harald Schwager €151 thousand (2007: -); Dr. Kurt Bock €1,045 thousand (2007: personnel expenses amounting to €2,978 thousand); Dr. John Feldmann €621 thousand (2007: personnel expenses amounting to €3,333 thousand); Dr. Hans-Ulrich Engel €1,458 thousand (2007: -); Dr. Andreas Kreimeyer €416 thousand (2007: personnel expenses amounting to €1,327 thousand); Dr. Stefan Marcinowski €446 thousand (2007: personnel expenses amounting to €3,574 thousand); Dr. Martin Brudermüller €790 thousand (2007: personnel expenses amounting to €1,095 thousand); and Peter Oakley €1,755 thousand (2007: personnel expenses amounting to €3,788 thousand).

The earnings and personnel expenses reported here are purely accounting figures which do not equate with the actual cash gains in case options are exercised. The members of the Board decide on the timing and scope of the exercise of options of the individual years while taking into account the general terms and conditions and ceilings of the BASF option program (BOP) for senior executives.

Considering a deductible the members of the Board are covered by loss liability insurance concluded by the company (D & O insurance).

→ More information on the BASF option program (BOP) can be found from page 210 onward

### Pension benefits

Annual pension units are accrued for the members of the Board. The method of determination of the amount of the pension benefits generally corresponds to that used for other employee groups. The method is designed such that both the performance of the company and the progression of the individual Board member's career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed compensation above the Social Security Contribution Ceiling by 35% (contribution factor). The resulting amount is converted into a lifelong pension payable upon retirement using actuarial factors based on an interest rate (6%), the probability of death, invalidity and mortality (Heubeck-Richttafel 1998) and an assumed pension increase (1.5% per annum).

The variable component of the pension unit depends on the return on assets (ROA) in the reporting year under consideration. The variable component of the pension unit is based on a ROA of 12% at which point the variable component is equal in value to the fixed component. Based on a ROA of 12%, there is a linear relationship between the variable component and the ROA figures between 10% and 14%. The fixed and the variable components together result in acquired pension unit for the reporting year. The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit. The pension benefit takes effect at the end of service upon reaching retirement age of 60 years or disability or death. Pension payments are adjusted on an annual basis, of at least 1% annually, according to the changes in the German consumer price index.

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

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes and general terms and conditions of the BASF Pensionskasse VVaG.

The service cost attributable to the year 2008 are as follows:

Dr. Jürgen Hambrecht €333 thousand (2007: €507 thousand), Dr. h.c. Eggert Voscherau €43 thousand (2007: €108 thousand), Dr. Harald Schwager €556 thousand (2007: -), Dr. Kurt Bock €546 thousand (2007: €633 thousand), Dr. John Feldmann €571 thousand (2007: €658 thousand), Dr. Hans-Ulrich Engel €448 thousand (2007: -), Dr. Andreas Kreimeyer €558 thousand (2007: €652 thousand), Dr. Stefan Marcinowski €559 thousand (2006: €621 thousand), Dr. Martin Brudermüller €555 thousand (2007: €638 thousand), and Peter Oakley €117 thousand (2007: €577 thousand).

These amounts include the costs for the pension claims arising from the deferred contribution program.

As with the pension benefits for senior executives, in 2008 the basis for the future calculation of pension units

for Board members was also adjusted. An updated interest rate of 5% (previously 6%) and an updated probability of death, invalidity and mortality (Heubeck-Richttafeln 2005G, previously Heubeck-Richttafeln 1998), are applied to pension units acquired as of January 1, 2009. For new Board members and mandate extensions beginning on January 1, 2009, a contribution factor of 32% (previously 35%) is applied. The rest of the above mentioned method of calculating pension units remains the same.

#### End of service benefits

##### a) Board members, whose current mandate began before January 1, 2008

A Board member, that leaves the company before the age of 60, whose employment contract is not renewed or is revoked, is entitled to pension benefits. In such a case, the company is entitled to offset compensation received for any other work done against pension benefits.

End-of-service following 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 position is revoked within one year following a change-of-control event, the Board member will continue to receive the contractually agreed payments (fixed compensation and variable bonus) for the remaining contractual term of office. In addition, the Board member will receive a severance payment, depending on the remaining contractual term of office, up to a maximum of 2.5 years of compensation (based on the fixed compensation and the previous year's variable bonus). The sum of the severance payment and continuing compensation may not exceed five years of compensation. Furthermore, the Board member may receive the fair value of the option rights acquired in connection with BOP within a period of three months. The premature termination of service due to the revocation of a Board member's position entitles the Board member to pension benefits. When calculating the amount of the pension benefits, the missing years of service up to the age of 60 years will be considered.

The aforementioned is also applicable upon the occurrence of a change-of-control event, if the time to the end of the current contractual term of office is less than two years and the appointment is not subsequently extended by a minimum of two years.

The aforementioned payments are only payable if the Board member has not given cause for the termination or non-renewal of his service contract.

##### b) Contracts as of January 1, 2008

The contracts of new Board members since January 1, 2008 contain the following significant changes:

A Board member who leaves the company before the age of 60 is only entitled to pension benefits, if the Board member served on the Board for at least 10 years or if the time needed to reach the legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other work done against pension benefits.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will continue to receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed compensation and the variable bonus based on a ROA of 12%).

As of January 1, 2009, these changes also apply to extensions of current contractual terms, which began before January 1, 2008.

A general limit on severance pay is contained within the contracts for new Board members and term extensions as of January 1, 2009. 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 (severance payment cap) nor compensate more than the remaining term of the contract. The severance payment cap will be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year. Payments promised in the event of premature termination of a Management Board member's contract due to a change-of-control should not exceed 150% of the severance payment cap.

##### Previous Board members

Total compensation for previous Board members and their surviving dependents amounted to €6.0 million in 2008 (2007: €7.1 million). This figure also contains payments which former Board members have themselves financed through the deferred compensation program. Pension provisions for previous Board members and their surviving dependents amounted to €83.4 million (2007: €76.9 million).

### Compensation of Supervisory Board members

The disclosure of remuneration of the Supervisory Board is based on German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code.

The compensation of the Supervisory Board is regulated by the Articles of Association passed by the Annual Meeting. The compensation of the Supervisory Board of BASF Aktiengesellschaft was regulated by Section 12 of the Articles of BASF Aktiengesellschaft. The regulations for the compensation of the Supervisory Board remained unchanged regarding content within the framework of the conversion of BASF Aktiengesellschaft into BASF SE and now are contained within Section 14 of the Articles of BASF SE. Each member of the Supervisory Board receives fixed compensation of €60,000 and a performance-oriented variable compensation for each full €0.01 by which the earnings per share of the BASF Group declared in the BASF Group Consolidated Financial Statements for the year for which the remuneration is being paid exceeds the minimum earnings per share.

The minimum earnings per share for the year 2008 is €1.35. The performance-oriented variable remuneration is €800 for each full €0.01 of earnings per share up to an earnings per share of €2.10, €600 for each further €0.01 of earnings per share up to an earnings per share of €2.60, and €400 for each €0.01 beyond this. The performance-oriented variable remuneration is limited to a maximum amount of €120,000. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent financial year. Based on the earnings per share of €3.13 published in the BASF Group Consolidated Statements 2008, the performance-oriented compensation amounted to €111,200 in 2008. The chairman of the Supervisory Board receives two-and-a-half times and a deputy chairman one-and-a-half times the remuneration of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, shall receive a further fixed remuneration for this purpose in the amount of €12,500. For the Audit Committee, the further fixed remuneration shall be €25,000. The chairman of a committee shall receive twice and a deputy chairman one-and-a-half times the further fixed remuneration.

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 company further grants the members of the Supervisory Board a fee of

€500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the duties of the members of the Supervisory Board in the cover of a consequential loss liability insurance concluded by it (D & O insurance).

### Compensation of Supervisory Board members of BASF Aktiengesellschaft

With the conversion of BASF Aktiengesellschaft into BASF SE on January 14, 2008, the mandates for the previous Supervisory Board members ended. Therefore, they receive pro rata one twelfth of the above mentioned compensation according to Section 12 (4) of the Articles of BASF Aktiengesellschaft.

For the individual members of the Supervisory Board of BASF Aktiengesellschaft (until January 14, 2008), the following compensation results:

Thousand €

	Fixed compensation		Performance-oriented variable compensation		Payment for committee membership(s)		Total compensation	
	2008 <sup>1</sup>	2007	2008 <sup>1</sup>	2007	2008 <sup>1</sup>	2007	2008 <sup>1</sup>	2007
Prof. Dr. Jürgen Strube, Chairman of the Supervisory Board <sup>2</sup>	12.5	150	23.2	300	2.1	25	37.8	475
Robert Oswald, Vice Chairman of the Supervisory Board <sup>3</sup>	7.5	90	13.9	180	1	12.5	22.4	282.5
Ralf-Gerd Bastian	5	60	9.3	120	–	–	14.3	180
Wolfgang Daniel	5	60	9.3	120	–	–	14.3	180
Prof. Dr. François Diederich	5	60	9.3	120	–	–	14.3	180
Michael Diekmann	5	60	9.3	120	–	–	14.3	180
Dr. Tessen von Heydebreck <sup>3</sup>	5	60	9.3	120	1	12.5	15.3	192.5
Arthur Kelly	5	60	9.3	120	–	–	14.3	180
Rolf Kleffmann	5	60	9.3	120	–	–	14.3	180
Max Dietrich Kley <sup>4</sup>	5	60	9.3	120	4.2	50	18.5	230
Prof. Dr. Renate Köcher	5	60	9.3	120	–	–	14.3	180
Eva Kraut	5	60	9.3	120	–	–	14.3	180
Ulrich Küppers	5	60	9.3	120	–	–	14.3	180
Konrad Manteuffel	5	60	9.3	120	–	–	14.3	180
Hans Dieter Pötsch <sup>5</sup>	5	60	9.3	120	2.1	25	16.4	205
Prof. Dr. Hermann Scholl	5	60	9.3	120	–	–	14.3	180
Ralf Sikorski	5	60	9.3	120	–	–	14.3	180
Robert Studer	5	60	9.3	120	–	–	14.3	180
Michael Vassiliadis <sup>3, 5</sup>	5	60	9.3	120	3.1	37.5	17.4	217.5
Dr. Friedrich Wirsing <sup>5</sup>	5	40	9.3	80	2.1	12.5	16.4	132.5
Dr. Karlheinz Messmer <sup>5</sup> (until April 30, 2007)	–	20	–	40	–	8.3	–	68.3
<b>Total:</b>	<b>110</b>	<b>1,320</b>	<b>204.5</b>	<b>2,640</b>	<b>15.6</b>	<b>183.3</b>	<b>330.1</b>	<b>4,143.3</b>

<sup>1</sup> To compare with the compensation for 2007, the membership of the Supervisory Board of BASF SE (see next table) should be taken into consideration

<sup>2</sup> Chairman of the Personnel Committee

<sup>3</sup> Member of the Personnel Committee

<sup>4</sup> Chairman of the Audit Committee

<sup>5</sup> Member of the Audit Committee

### Compensation of Supervisory Board members of BASF SE

The newly constituted Supervisory Board of BASF SE came into existence with the conversion from BASF Aktiengesellschaft to the legal structure of a European company (SE) on January 14, 2008. Compensation for the tenure of a member of the first Supervisory Board up until the Annual Meeting on April 30, 2009 can only be determined at the Annual Meeting according to Section 113 (2) of the German

Stock Corporation Act. The Board of Directors and the Supervisory Board will propose to bestow compensation according to the regulations of Section 14 of the Articles of BASF SE at the Annual Meeting. To avoid double-counting, compensation for January 2008 is bestowed only for those who first took on Supervisory Board functions in this month. According to this, the following compensation resulted:

Thousand €

	Fixed compensation	Performance-oriented variable compensation	Payment for committee membership(s)	Total compensation
Prof. Dr. Jürgen Strube, Chairman of the Supervisory Board <sup>1</sup>	137.5	254.8	22.9	415.2
Michael Diekmann, Vice Chairman of the Supervisory Board	85	157.5	–	242.5
Robert Oswald, Vice Chairman of the Supervisory Board <sup>2</sup>	82.5	152.9	11.5	246.9
Ralf-Gerd Bastian <sup>4</sup>	55	101.9	25	181.9
Wolfgang Daniel	55	101.9	–	156.9
Prof. Dr. François Diederich	55	101.9	–	156.9
Franz Fehrenbach <sup>4</sup>	60	111.2	25	196.2
Dr. Tessen von Heydebreck <sup>2</sup>	55	101.9	11.5	168.4
Max Dietrich Kley <sup>3</sup>	55	101.9	45.8	202.7
Ulrich Küppers (until May 30, 2008)	20	37.1	–	57.1
Denise Schellemans	60	111.2	–	171.2
Ralf Sikorski (since May 31, 2008)	40	74.1	–	114.1
Michael Vassiliadis <sup>2, 4</sup>	55	101.9	34.4	191.3
<b>Total</b>	<b>815</b>	<b>1,510.2</b>	<b>176.1</b>	<b>2,501.3</b>

<sup>1</sup> Chairman of the Personnel Committee

<sup>2</sup> Member of the Personnel Committee

<sup>3</sup> Chairman of the Audit Committee

<sup>4</sup> Member of the Audit Committee

Subject to a resolution at the Annual Meeting on April 30, 2009, total compensation of the Supervisory Board of the company, including the attendance fee for the activity, in 2008 was €2.9 million (2007: €4.2 million).

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2008, will be paid following the Annual Meeting on April 30, 2009.

In the year 2008, the company paid the Supervisory Board member, Prof. Dr. Diederich, approximately €24,200 (2007: approximately €23,400), plus value-added taxes and out-of-pocket expenses for consulting work in the

area of chemical research based on a consulting contract approved by the Supervisory Board.

Beyond this, Supervisory Board members did not receive any further compensation in 2008 for services rendered personally, in particular, the rendering of advisory and agency services.

→ For information on the shareholdings of Board and Supervisory Board members see page 132

## REPORT OF THE SUPERVISORY BOARD

### Dear Shareholders,

The year 2008 marked the start for BASF in its new legal form as a *Societas Europaea* or SE. The conversion was, and is, connected with significant changes to the corporate governance system at BASF. Since January 14, 2008, the Supervisory Board comprises 12 instead of 20 members, consisting in equal parts of shareholder representatives – elected by the Annual Meeting – and employee representatives. In place of the German Codetermination Act, the Employee Participation Agreement concluded between the company's management and employee representatives forms the tailor-made legal basis for employee participation in the Supervisory Board and for the new BASF Europa Betriebsrat. This means that employee participation in fundamental corporate decisions is no longer exclusively limited to employees in Germany, but also includes other European employees. The Supervisory Board is convinced that these structural changes have further improved the quality and efficiency of the Supervisory Board's activities and that the monitoring of and the strategic advice provided to, the Board of Executive Directors has been intensified.

The Supervisory Board attaches the utmost importance to guaranteeing good corporate governance: The Supervisory Board and the Board of Executive Directors therefore decided to comply in the future with all recommendations of the German Corporate Governance Code in the version passed by the Code Commission on June 6, 2008.

From an economic point of view, 2008 was dominated by the existing crisis in the financial markets and the economic crisis that became more apparent over the course of the year, significantly impacting BASF in the last two months of the year. The crisis will continue into 2009, and at the moment it is not possible to forecast a turnaround. The fourth quarter of 2008 shows that great economic success and record results can be quickly followed by a slump in business. Nevertheless, the current situation also makes clear that BASF was right to pursue its strategy, with a broad spectrum of business fields and a forward looking orientation towards strongly growing and innovative markets in the field of chemistry itself and fields closely related to chemistry. BASF aims to continue on this path and further expand next-generation business fields. This includes the acquisition of *Ciba*, which strengthens BASF's position in very attractive product lines. In the opinion of the Supervisory Board, the response of the company to the developments at the end of 2008 shows: BASF has a determined management team and highly motivated and qualified employees. They will ensure that BASF emerges even

stronger from the current economic crisis. At the first indications of the crisis, the Board of Executive Directors rapidly adopted a balanced set of timely, consistent and highly flexible measures, limiting the negative consequences as far as possible. The Board of Executive Directors enjoyed the full support of the entire Supervisory Board for these measures.

### Monitoring and consultation in continual dialogue with the Board of Executive Directors

In 2008, the Supervisory Board of BASF SE exercised its duties required by law and statutes with the utmost care. The Supervisory Board regularly monitored company management and provided advice on the company's strategic development and important individual measures. To this end, the Supervisory Board received detailed information from the Board of Executive Directors at six meetings in written and verbal reports. Topics included business policies, the business situation and business development, profitability, the company's planning including the planning of financing, capital expenditures and personnel resources at BASF SE and its major subsidiaries as well as deviations of the course of business from the planning. The Supervisory Board discussed in detail the reports of the Board of Executive Directors, as well as the company's future prospects as a whole and those of its individual businesses. Also outside of Supervisory Board meetings the Chairman of the Supervisory Board regularly requested information from the Chairman of the Board of Executive Directors with regard to current business developments and important transactions. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board voted on all of those individual measures taken by the Board of Executive Directors, which by law or statutes required the approval of the Supervisory Board.

The members of the Supervisory Board elected by shareholders and those elected by employees prepared for the meetings in separate preliminary discussions. With the exception of one meeting, which one member could not attend for important reasons, all members were present at each meeting.

In all meetings, the Supervisory Board dealt with the further development of the business activities of the BASF Group through acquisitions, divestitures and investment projects, and advised the Board of Executive Directors in those significant questions impacting the future of the company. The projects that the Supervisory Board discussed repeatedly included the successful takeover offers for Ciba Holding AG and Revus Energy ASA. The Supervisory Board views both acquisitions as valuable additions to BASF's existing business fields. We also dealt repeatedly with the Styrenics business, which is highly cyclical and close to crude oil and which BASF wants to divest, as well as with the further development of the business with chemicals for textiles and leather, which is characterized by low market growth and fierce competition. At the meeting on July 4, 2008, the emphasis was on the growth clusters identified by the Board of Executive Directors, where we see great opportunities for BASF in the future and which form a focus for research and development in the BASF Group. These clusters encompass: white (industrial) biotechnology; plant biotechnology, which includes the research and development cooperation with Monsanto; raw material change; energy management; and nanotechnology. At several meetings, we were informed on the regulatory environment impacting BASF's business operations, in particular emissions trading in the European Union and the effect of the E.U. chemicals directive REACH. At our meeting on December 3, 2008, we discussed and approved the Board of Executive Directors' operational and financial planning for 2009 and empowered the Board of Executive Directors to procure financial instruments under certain conditions.

### Committees

BASF SE's Supervisory Board established a total of three Committees: the Committee for personnel affairs of the Board of Executive Directors as well as the granting of loans in accordance with Section 4 of the German Stock Corporation Act (Personnel Committee), the Audit Committee and the Nomination Committee. The Supervisory Board received regular reports on the activities of these committees.

The Personnel Committee consists of Supervisory Board Chairman Dr. Jürgen Strube (chairman), Supervisory Board Deputy Chairman Robert Oswald (deputy chairman), Dr. Tessen von Heydebreck and Michael Vassiliadis. The Personnel Committee met five times in 2008. At its meetings, sometimes with the Chairman of the Board of Executive Directors, it discussed, in particular, the long-term succession planning for the Board of Executive Directors as well as the compensation of the Board of Executive Direc-

tors. In addition, the decisions to be made by the Supervisory Board regarding appointments to the Board of Executive Directors were discussed intensively. The resolutions were proposed to the plenary session of the Supervisory Board. These included the appointment of Dr. Hans-Ulrich Engel as a member of the Board of Executive Directors (until March 3, 2011), and the extension of the membership of Dr. Martin Brudermüller (until the 2013 Annual Meeting). The Supervisory Board adopted the proposed resolutions of the Personnel Committee at its meetings on March 4, and on July 4, 2008.

The Audit Committee consists of Supervisory Board members Max Dietrich Kley, Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The chairman of the Audit Committee is Max Dietrich Kley, who has also been appointed "Audit Committee Financial Expert." The Audit Committee met four times in 2008. The core duties were to review the Financial Statements 2007 of BASF SE as well as the Consolidated Financial Statements 2007 and to discuss the quarterly and first-half financial reports before their publication with the Board of Executive Directors. Further focal points were advising the Board of Executive Directors on accounting issues, discussing and defining the focus of the audit; regulating business relations with the company's auditor, including the adoption of a resolution regarding the provision of non-audit services by the auditor; agreeing upon the auditing fees; and monitoring the auditor's independence. The Audit Committee also discussed the implications of the new recommendations and provisions on the work of the Audit Committee, in particular of the German Corporate Governance Code in the amended version of June 6, 2008 and the German law "Bilanzrechtsmodernisierungsgesetz" which implements E.U. Directive 2006/43/EC and which is currently in the legislative procedure.

The members of the Nomination Committee are exclusively the members of the Supervisory Board elected by the Annual Meeting. These are Prof. Dr. Jürgen Strube, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Dr. Tessen von Heydebreck and Max Dietrich Kley. The duty of the Nomination Committee is the preparation of candidate proposals for those Supervisory Board members who are elected by the Annual Meeting. The members of the Nomination Committee consulted on the selection of candidates for the coming election at the Annual Meeting on April 30, 2009, and on March 2, 2009, decided on a candidate proposal and tabled it for resolution before the Supervisory Board meeting on March 3, 2009. This also included the proposal for the future Chairman of the Supervisory Board. The Supervisory Board confirmed the proposal of the Nomination Committee for the election at the Annual Meeting.

#### **Corporate governance and Declaration of Conformity**

In 2008, the Supervisory Board again addressed in detail the standards of corporate governance applied by BASF as well as the legal framework for corporations and financial markets in Germany. This included in particular the amended German Corporate Governance Code in the version dated June 6, 2008, which was dealt with at the meeting on October 23, 2008. In particular, we discussed the implementation of the new code recommendations on board compensation, and decided to implement these.

At the meeting held December 3, 2008, the compensation system for the Board of Executive Directors was reported on in detail and the material elements of the Board of Executive Directors contracts were explained. On the basis of this and the proposal of the Personnel Committee, the Supervisory Board decided on the compensation system for the Board of Executive Directors and the significant contractual components. The Supervisory Board will review these regularly. In the dutiful opinion of the Supervisory Board, the existing compensation system does not require amendment.

In its meeting on December 3, 2008, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with Section 161 of the German Stock Corporation Act. Furthermore, at this meeting the Supervisory Board carried out an examination of efficiency and an assessment of independence. BASF complies with the recommendations of the German Corporate Governance Code in its version of June 6, 2008, without exception. The complete wording of the Declaration of Conformity is provided on page 148 and is also available to shareholders on BASF's website.

The compensation report containing full details on the structure and amount of the compensation for the Board of Executive Directors and the Supervisory Board, including the pension benefits of the members of the Board, can be found on pages 137 to 143.

#### **Annual Financial Statements of BASF SE and Consolidated Financial Statements**

On the basis of the preliminary review by the Audit Committee, on which the Chairman of the Audit Committee reported to the Supervisory Board, the Supervisory Board have examined the Financial Statements and Management's Analysis of BASF SE for 2008, the proposal by the Board of Executive Directors for the appropriation of profit, the Consolidated Financial Statements, and Management's Analysis for the BASF Group for 2008. KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors elected by the Annual Meeting for the fiscal year 2008, have audited the Financial Statements of BASF SE and the Consolidated Financial Statements including Management's Analysis under consideration of bookkeeping, and have approved them free of qualification. Furthermore the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under Section 91, paragraph 2 of the German Stock Corporation Act in an appropriate way. In particular, it had instituted a suitable information and monitoring system that met the needs of the company and appeared suitable, both in design and the way in which it had been applied, to provide early warning of developments that pose a threat to the continued existence of the company.

The documents to be examined and the auditors' reports were sent timely to every member of the Supervisory Board. The auditors attended the accounts review meeting of the Audit Committee on February 25, 2009, as well as the accounts meeting of the Supervisory Board on March 3, 2009, and reported on the main findings of their audit. The auditors also provided detailed explanations of their reports on the day before the accounts review meeting of the Supervisory Board.

We have reviewed the auditors' reports and agree with them. The results of the preliminary review by the Audit Committee and the results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objections to the management and the submitted reports.

At the Supervisory Boards accounts meeting on March 3, 2009, we approved the Financial Statements of BASF SE prepared by the Board of Executive Directors and the Consolidated Financial Statements of the BASF Group, making the Financial Statements final. We concur with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €1.95 per share.

#### **Composition of the Supervisory Board and Board of Executive Directors**

Since January 14, 2008, the Supervisory Board of BASF SE has been composed of the shareholder representatives who were elected at the Annual Meeting on April 26, 2007: Prof. Dr. Jürgen Strube, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Dr. Tessen von Heydebreck and Max Dietrich Kley as well as the employee representatives under the Employee Participation Agreement of November 15, 2007: Ralf-Gerd Bastian, Wolfgang Daniel, Robert Oswald, Denise Schellemans and Michael Vassiliadis. One Supervisory Board member under the Employee Participation Agreement, Ulrich Küppers, resigned as of May 30, 2008. He was replaced by Ralf Sikorski, who was named substitute member under the Employee Participation Agreement. At the meeting on April 24, 2008, Supervisory Board members Michael Diekmann and Robert Oswald were elected as Deputy Chairmen. The term of office of all members of the Supervisory Board terminates on the day of the Annual Meeting 2009.

With effect on March 4, 2008, the Supervisory Board appointed Dr. Hans-Ulrich Engel to the Board of Executive Directors. The long-serving Deputy Chairman Dr. h. c. Eggert Voscherau and Peter Oakley left the Board of Executive Directors in the course of 2008.

#### **Thanks**

The Supervisory Board thanks all employees of the BASF Group worldwide, the management of the company and the retired members of the Board of Executive Directors and the Supervisory Board for the work they performed in 2008.

Ludwigshafen, Germany, March 3, 2009

The Supervisory Board

#### **Professor Dr. Jürgen Strube**

Chairman of the Supervisory Board

---

# DECLARATION OF CONFORMITY 2008

## of the Board of Executive Directors and the Supervisory Board of BASF SE

---

**The Board of Executive Directors and the Supervisory Board of BASF SE hereby declare pursuant to § 161 AktG (Stock Corporation Act)**

1. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on August 8, 2008, in the official section of the electronic Federal Gazette are complied with and will be complied with.

2. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on July 20, 2007 in the official section of the electronic Federal Gazette have been complied with since the submission of the last Declaration of Conformity on December 5, 2007, with the following exception:

The structure of the compensation for the Board of Executive Directors was discussed in the Personnel Committee and was regularly reviewed (by way of deviation from Code number 4.2.2, paragraph 1).

Ludwigshafen, December 3, 2008

**The Supervisory Board**  
of BASF SE

**The Board of Executive Directors**  
of BASF SE