

Senior Executive Human Resources

# BASF Options Program (BOP)

	<b>BASF Options Program (BOP)</b>	



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## Overview of the BASF Options Program 2017

This document is an English-language translation of the principal provisions of the BASF Options Program 2017. In the event of any discrepancy, the German-language document setting forth the actual terms and conditions of the BASF Options Program 2017 will be binding. The BOP coordinator named in the participant's individual offer letter will be pleased to answer any questions.

BASF is offering option rights to qualifying Executives of the BASF Group worldwide. The grant of option rights requires a participant's personal investment.

He/she must introduce a specific number of BASF shares into the Program (BOP 2017) and hold these shares for at least two years following the Option Grant Date. The range (minimum/maximum) for the number of BASF shares that a participant can introduce into BOP 2017 is calculated on the basis of 10% to 30% of the

participant's gross variable compensation for 2016 (in €) and the BASF share price on the first trading day of the German Stock Exchange in Frankfurt following the 2017 BASF Annual Meeting (Basic Price). On July 01, 2017, the participant will receive four option rights for each share of personal investment.

### Program Structure

Information >	Undertaking >	Options grant >	Waiting Period >	Exercise >	Pay Out
May 2017	Up to June 30, 2017	July 1, 2017	July 1, 2017 to June 2019	July 1, 2019 – June 30, 2025	
On possible personal investment (min./ max: in shares)	On personal investment	4 option rights per invested BASF share	<b>2 years period</b> after Option Grant Date; Option rights cannot be exercised	<b>6 years period</b> after vesting: option rights may be exercised under certain conditions	The payout initiated immediately after exercising

Each option right consists of two subscription rights (A and B), the value of which is dependent on meeting specific thresholds. Subscription Right A is "in the money" if the price of the BASF share has increased by more than 30% in comparison to the Basic Price (absolute threshold). Subscription Right B is "in the money" if the BASF share price outperforms the MSCI World Chemicals Index, calculated in local currency (relative threshold) and is at least equal to the Basic Price.

The BOP, therefore, takes into account both the absolute and the relative performance of the BASF share. Each individual option right may only be exercised in its entirety, i. e. if only one threshold is "in the money", the Subscription Right linked to meeting the other threshold will lapse.

Option rights may not be exercised until at least two years (waiting period) have elapsed since the Option Grant Date and may not be exercised later than after eight years following the Option Grant Date. Option rights may not be exercised during certain closed periods within this overall exercise period.

The gross exercise gain to the participant resulting from the exercise of option rights is limited to a maximum of five times his/her personal investment (in €). The net exercise gain will be paid out to the participant in cash (cash settlement).

## Program and Option Conditions

# I. Right to Participate

The right to participate is being granted to Executives of the BASF Group, who will be identified by means of predetermined criteria and individually informed of their entitlement by letter. In addition to meeting the general criteria, each participant must be actively employed by BASF on July 01, 2017, without any notice of termination of employment having been issued by that date.

To participate in the BASF Options Program, it is required that the entitled Executive has not participated in any other share-based incentive program after promotion to Executive.



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### Please note:

Qualifying Executives subject to U.S. tax are offered separate program and option conditions that are set forth in the "U.S. BOP 2017" brochure

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Program and Option Conditions

## II. Personal Investment

The grant of option rights requires a participant’s personal investment. He/she must fulfill this requirement by introducing a specific number of BASF shares into the program (see Section II.2.). The participant will receive four option rights for each share of personal investment (see Section III.).

### 1. Possible Range of Investment/Conversion to BASF Shares

The specific number of BASF shares (min./max.) that a participant can introduce into the BOP 2017 is calculated on the basis of 10% to 30% of the participant’s gross variable compensation for 2016 (in €) and the Basic Price of the BASF share. The

**Basic Price** for the BOP 2017 is defined as the volume-weighted average, commercially rounded to two decimal places, that is quoted in the electronic trading system of Deutsche Börse AG (Xetra) on May 15, 2017, the first trading day of the German Stock Exchange following BASF’s 2017 Annual Meeting (**Basic Date**).

### Personal Investment

Possible Range of Investment/Conversion to BASF Shares



Example: Bonus (gross) = €75,000.00 Basic Price = €75.00



## 2. Undertaking/Holding Period

Each eligible Executive will be informed by the respective BOP coordinator in May 2017 of the number of shares (min./max.) he/she is entitled to introduce into the 2017 Program. Those Executives wishing to participate must complete and submit the **“Undertaking Form”** to notify their coordinator, by June 30, 2017 at the latest, of the actual number of shares that they will hold as their personal BOP 2017 investment for at least two years following the Option Grant Date, i. e. up to and including June 30, 2019 (**holding period**). This Undertaking will qualify the corresponding shares (“BOP 2017 shares”) for the underlying options (see Section III.).

Any BASF shares already held by a participant (with the exception of shares already tied to BOP 2016 as these must be held for a two-year holding period, ending only on June 30, 2018) may be declared as “BOP 2017 shares”.

The BOP shares may be held at any financial institution chosen by the participant. The participant must be owner of the account in which the shares are held. A joint account of the participant and his/her spouse is also acceptable.

If a participant agrees in the Undertaking to possess a number of shares by July 1, 2017 that is greater than his/her current holding, the participant must procure the missing number of shares by June 30, 2017.

If the participant chooses to dispose of the “BOP 2017 shares” prior to July 01, 2019, the sale would be a breach of the Undertaking and would result in loss of all option rights granted. Participants are personally responsible for informing their relevant coordinator if their total holding of “BOP Shares” falls below the level of their specified personal investment.

Proof that the specified number of shares is actually held must be supplied to the BOP coordinator on request in an appropriate form (e.g. a custody account statement or bank confirmation). If a participant does not provide the requested proof within an adequate period or if he/she is not in possession of the necessary and designated personal investment, all option rights granted will be forfeit. Furthermore this can also lead to the exclusion of participation in the next possible program. Further sanctions under labor law – dependent on the circumstances of the individual case – remain unaffected thereof.

## Program and Option Conditions

### III. Grant and Design of Option Rights

**1. Grant of Option Rights/Option Grant Date**

On July 1, 2017 (**Option Grant Date**), BASF will grant four option rights to the participant for each “BOP 2017 share” confirmed in the Undertaking declaration. The number of option rights is first calculated on the basis of the details in the Undertaking Form. The participant will receive a written confirmation acknowledging entry of the option rights.

Regarding program participants who are subject to taxation in countries **other** than Germany, the fiscal treatment of option rights granted and of exercise gains depends on the tax laws of these countries. If you have any questions, the respective BOP coordinator will be pleased to be of assistance.

Just granting option rights does not constitute a pecuniary benefit for income tax purposes in **Germany**. A taxable pecuniary benefit does not arise until the option rights are actually exercised (see Section IV.2. c-e).

**Personal Investment & Option Rights**

## Example

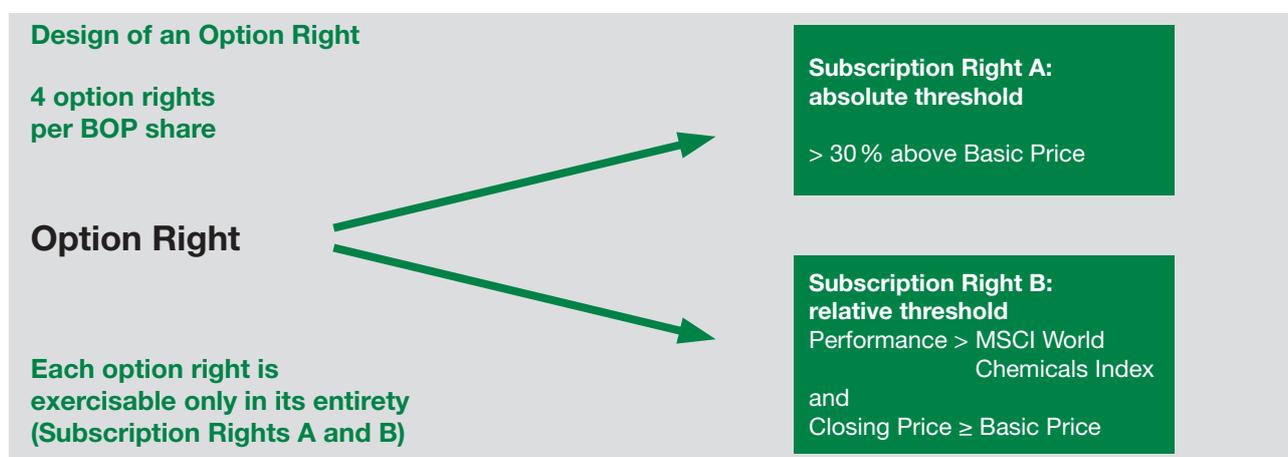
Bonus (gross):	€75,000.00
Personal Investment (10 – 30% of bonus):	€7,500.00 – €22,500.00
Basic Price:	€75.00
Minimum number of shares	100
> Option Rights (Number of min. shares x 4)	400
Maximum number of shares	300
> Option Rights (Number of max. shares x 4)	1200

## 2. Design of Option Rights/Thresholds

The option rights are personal rights. They may not be sold, used as security for loans, or otherwise transferred.

Each option right consists of two parts, Subscription Right A and Subscription Right B, which are “in the money” if defined thresholds are met.

Each individual option right may only be exercised in its entirety (Subscription Rights A and B). Thus, if only one threshold is met, exercising is possible, but the Subscription Right linked to meeting the other threshold will lapse.



### a) Subscription Right A (absolute threshold)

The threshold for Subscription Right A is met if the closing price of the BASF share quoted in the electronic trading system of Deutsche Börse AG (Xetra) or in a successor system (**Closing Price**) is more than 30% higher than the Basic Price.

The value of the Subscription Right A is defined as the difference between the Closing Price at the time of exercise (see Section IV.2.c) and the Basic Price.

### Subscription Right A

#### Evaluation Example

Basic Price	€75.00
Closing Price at the time of exercise	€98.00

Absolute increase in price	€23.00
Relative increase in price	+ 31 %

> **Absolute threshold of >30% met**

> **Value of Subscription Right A** **€23.00**

(Closing Price at the time of exercise minus Basic Price)

**b) Subscription Right B (relative threshold)**

The threshold for Subscription Right B is met if the cumulative performance of the BASF share exceeds the performance of the MSCI World Chemicals Index, calculated in local currency. This **Outperformance** – as a percentage – is defined as the difference between the cumulative performance of the BASF share from the basic date to the exercise date on the one hand and the cumulative performance of the MSCI World Chemicals Index from the basic date to the exercise

date on the other hand. The cumulative performance includes both the change in price and the value of cash dividends and capital changes during this period.

The value of the Subscription Right B is defined as the Basic Price multiplied by twice the percentage by which the BASF share outperforms the MSCI World Chemicals Index at the time of exercise (2 x Outperformance x Basic Price).

**Subscription Right B**

## Evaluation Example

Basic Price	€75.00
Closing Price at the time of exercise	€98.00
At the time of exercise:	
Performance of BASF share in percent	41%
Performance of MSCI World Chemicals Index in percent	21%
Outperformance of BASF share	<b>20%</b>
Doubled Outperformance	40%
<b>&gt; Value of Subscription Right B</b>	<b>€30.00</b>
<small>(Doubled Outperformance x Basic Price)</small>	

**Please note:**

The MSCI World Chemicals Index is a global chemical industry index, which currently contains about 60 companies. The Index is compiled by Morgan Stanley Capital International Inc., a leading Index provider. The MSCI World Chemicals Index measures the performance of the various chemical companies in their respective local currency. This significantly reduces the effect of currency fluctuations on the index value. Outperforming the MSCI World Chemicals Index is a demanding target.

This is why each percentage point is doubled in the calculation of the value of Subscription Right B.

Subscription Right B is only in the money, if the Closing Price at the time of exercise is at least equal to the Basic Price. If the Closing Price at exercise in the above shown example would be less than €75.00, the value of Subscription Right B would be „zero“, despite the outperformance of the index.

### 3. Exercise Gain/Upper Limits

Following each exercise order, the gross exercise gain will be calculated and the resulting net exercise gain (see Section IV.2.e) will be paid in cash to the participant (cash settlement).

The gross exercise gain is derived from the option right's value on the date of exercise (see Section IV.2.c.) and the number of exercised option rights as determined by the exercise order. The total value of each option right may result from Subscription Right A, from Subscription Right B, or both A and B.

The maximum possible gross exercise gain is equal to five times the original personal investment (in €), which is determined by multiplying the number of invested "BOP 2017 shares" with the Basic Price. For this purpose, the total exercise gain granted for one option right may not exceed 125% of the Basic Price. Furthermore, the exercise gain from Subscription Right A may not exceed 100% of the Basic Price, and the exercise gain from Subscription Right B may not be greater than the Closing Price at the time of exercise less the nominal amount applicable to the BASF share (€1.28, as of April 2017). The purchase price input into the calculation of exercise gain may not be less than the proportion of the capital stock accounted for by each share purchased.



## Program and Option Conditions

# IV. Exercise of Option Rights

Any exercise of the option rights requires satisfaction of all of the following conditions: (1) the exercise period for BOP 2017 has started, (2) no closed period is applicable (for both see Section IV.1.) and (3) at least one Subscription Right is “in the money” (see Section III.2).

### 1. Exercise Periods and Closed Periods

#### a) Duration of Program (Waiting Period/ Exercise Period)

The duration of the program is eight years and begins on July 1, 2017 (Option Grant Date). The option rights may only be exercised for the first time after the completion of a **waiting period**. This commences on the Option Grant Date and ends after two years, i. e. on June 30, 2019. This is followed by the six-year **exercise period** (from July 1, 2019 through June 30, 2025).

#### b) Closed Periods

It is not possible to exercise the option rights within certain periods (**closed periods**) during the exercise period.

Closed periods are periods of thirty (30) calendar days preceding the publication of annual, half-yearly and quarterly reports of BASF Group, including the day of publication.

The periods are published on the Internet at **[www.basf.de/bop](http://www.basf.de/bop)**.

In case the essential results of BASF Group (quarter, half-year or annual results) are published in advance by an ad-hoc report, the respective Closed Period ends on the day of the pre-announcement, 11:59 pm CET/CEST.

Prior to important company publications (e.g. ad-hoc reports), BASF can specify further closed periods on short notice.

#### c) Exercise Windows

Each time the absolute threshold is crossed (Subscription Right A), an exercise window of one month is opened, during which it is possible to exercise an option right even if the absolute threshold is no longer exceeded by the time an option right is exercised. The exercise windows provide compensation for the fact that the option rights cannot be exercised during closed periods even if the absolute threshold has been met.

As at other times, the value of the Subscription Right A is defined as the difference between the Closing Price at the time of exercise and the Basic Price.

No exercise window is opened if only the relative threshold is crossed, since there would be no exercise gain when the threshold is not met.

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#### Please note:

The closed periods always have priority over exercise windows, i. e. they may shorten them.

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## 2. Exercise Procedure

### a) Current Information on the Internet

The decision to exercise option rights is a personal one. On the Internet at [www.basf.de/bop](http://www.basf.de/bop), we provide information on both the exercise periods and – as far as available for BASF – the current value per option right. As the Web information is dependent on external data, BASF SE can assume no liability for any Web information or calculation that is either unavailable or incorrect.

### b) Declaration of Exemption/Exercise Order

An exercise order can only be completed if the Options Office, Senior Executive HR International (COS/G), BASF SE has received the participant's **"Declaration of Exemption"** (signed original). The participant must send the form to his/her respective BOP coordinator for forwarding to the Options Office. The form can be downloaded from the Internet at [www.basf.de/bop](http://www.basf.de/bop). A "Declaration of Exemption" that has been sent to the Options Office is applicable for all prospective exercise orders within all BASF Options Programs.

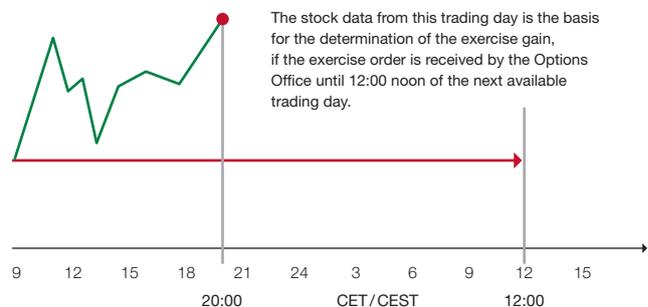
All exercise orders must be sent – by e-mail ([bop-exercise@basf.com](mailto:bop-exercise@basf.com)), fax (+49 621 60 66 34567) or by **Web form** – to the Options Office. With each individual exercise order, a minimum of 100 options rights must be exercised. All exercise orders must be placed by using the **"Exercise Order" form** that is provided on the Internet.

### c) Time of Exercise

For exercise orders received by the Options Office by **12:00 noon (Central European Time/Summer Time)** on a German Stock Exchange's trading day, the calculation of the exercise gain will be based on the Closing Price and the Outperformance on the previous trading day. This arrangement has the advantage that a participant can learn the gross exercise gain (in €) – e. g. via the Internet – and then decide whether or not to exercise his/her option rights. It is the document's **time of receipt** at the Options Office, not its transmission, that is decisive for meeting transactional deadlines. Exercise orders received by the Options Office **after 12:00 noon CET/CEST** will be carried out at the Closing Price and the Outperformance of the current trading day.

#### Relevance of Exercise Time

Closing Price



#### Please note:

As a result of the condition above, for example, all exercise orders received by the Options Office between a Friday trading day, 12.01 pm, and the following Monday, 12.00 noon, will be executed based on Friday's stock data.

**d) Determination of Gross Exercise Gain**

After receiving the exercise order, the Options Office will calculate the gross exercise gain. The gross exercise gain is derived from the number of option rights exercised multiplied by the respective option right's value (see Section III.3.).

If a participant is not paid by BASF in €, the Options Office will convert the gross exercise gain to the respective currency. For the determination of the

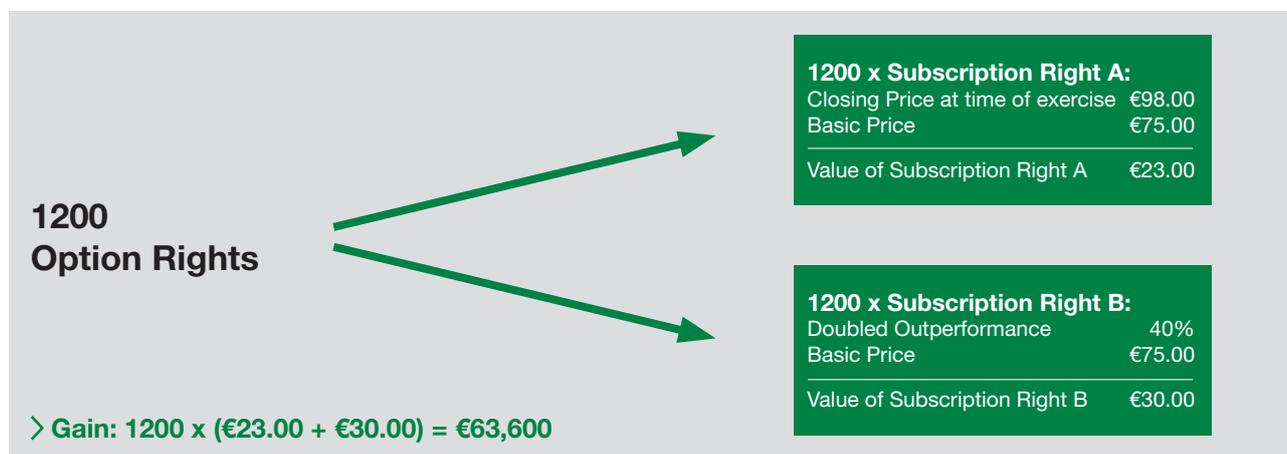
exchange rate, the same calendar day will be used as for the calculation of the exercise gain. The Options Office will use the exchange rates of the European Central Bank (ECB) or, if the currency is not published by the ECB, the current market exchange rate. In the latter case, the rates are currently determined by BASF at approximately 2.30 pm (CET/CEST).

The participant will receive a written confirmation from the Options Office for each individual exercise order.

**Gross Exercise Gain**

Sample Calculation

Personal Investment:	€22,500.00	=	1200 Option Rights
Basic Price	€75.00	Performance of BASF share	41%
Closing Price at time of exercise	€98.00	Performance of MSCI Chem.	21%
Absolute increase in price	€23.00 (>30%)	Outperformance BASF	20%



**e) Payment of Net Exercise Gain**

The Options Office will inform the participant's BOP coordinator of the gross exercise gain in € or the converted local currency. The BOP coordinator will, in turn, inform the participant's Payroll Department. The payment of the exercise gain will be reduced by mandatory tax withholdings (and social insurance contributions etc., if applicable) and will appear in a

subsequent pay cycle as soon as administratively possible.

For delegates, all exercise gains allocated to the host company will be calculated as net amounts by the Options Office. Hypothetical home country taxes and deductions are applied according to the Global Tax Policy.

## Program and Option Conditions

## V. Treatment of Option Rights in Special Cases

### 1. Retirement

The option rights that have already been granted will remain valid after retirement, i. e. they will continue to be exercisable by the retired participant in accordance with the program conditions.

### 2. Termination of Employment Relationship

If a participant's employment relationship is terminated, especially by notice, the option rights will remain valid until the participant's departure. If it is not possible to exercise them within this period (due to the existence of a waiting period, closed period, or a lack of an option right's value) they will be forfeited on the participant's departure.

### 3. Death

Option rights will be settled by BASF as soon as practicable after the death of the participant based on the **fair market value** of the option rights at the end of the month of death.

### 4. Divestiture/ Joint Venture

BASF is permitted to settle option rights if, as a result of divestiture, the division employing the participant or the entire company is dissociated from the BASF Group, or if the division or the company is brought into a joint venture. The settlement will be determined on the basis of the fair market value of the option rights at the time of the effective occurrence of the change.

### 5. Change of Control

In the event of a change of control (**CoC**), a participant will be entitled to return the option rights to BASF. A CoC shall be deemed to have occurred if a BASF shareholder announces a holding of at least 25%. A participant may declare within three months of a CoC that he/she wishes to return the option rights. The participant will receive the fair market value of the option rights, determined by the usual methods, in settlement. For the purposes of determining the value in the event of a public bid, the market price of the share will be deemed to be the average of the five highest closing prices during the bid period, otherwise the average of the five highest closing prices over the 100 trading days immediately preceding the day of the CoC.

### 6. Transfer within the BASF Group

If a participant's employment relationship with one BASF Group Company is terminated and subsequently begins at another BASF Group Company in another country (delegation, permanent transfer) during the duration of the program, BASF is permitted to settle the participant's option rights based on the **fair market value** at the end of the month prior to the transfer. In the case of a transfer within the same country, the option rights remain valid.

### 7. Determination of Fair Market Value

The **fair market value** will be determined by an independent expert, to be appointed by BASF, with experience in the valuation of option rights.

#### Please note:

If a participant becomes subject to U.S. tax due to a transfer within the BASF Group or for other reasons while holding BOP 2017 option rights, the remaining option rights will be transferred to the "U.S. BOP 2017", if necessary.

The "U.S. BOP 2017" program and option conditions are outlined in a separate brochure.

## Program and Option Conditions

## VI. General Limiting Conditions

**Furthermore BASF reserves the right to**

- decide on an annual basis whether to offer the BOP;

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- annually redefine the group of qualified persons;

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- dispense with the share ownership requirement as a basis for the granting of option rights in special cases, if share ownership becomes impossible or impractical for legal reasons, in particular as a result of currency or stock market legislation. Special arrangements shall apply in such cases;

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- adjust the terms and conditions of the BOP in the event of capital increases/reductions or restructuring measures in such a way that appropriate account is taken of the resulting changes in the value of the option rights.

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## Steps Leading to Participation in BOP 2017

- Each eligible Executive will be informed of the amount of his/her variable compensation for calendar year 2016 by the end of April 2017.

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- In May 2017, each eligible Executive will be informed of the number of shares (min./max.) he/she is entitled to introduce to the program on the basis of between 10% and 30% of his/her gross variable compensation of the previous year (in €) and of the Basic Price applicable to BOP 2017.

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- Those wishing to participate must use the “Undertaking Form” to inform their coordinators by June 30, 2017 at the latest of the number of shares held by them at that date and that they intend to hold for at least two years following the Option Grant Date, i. e. up to June 30, 2019.

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- Participants are themselves responsible for fulfilling the obligation that has been accepted and for purchasing the necessary number of shares. By signing the Undertaking, prospective participants accept the program and option conditions as binding and declare themselves willing to provide their BOP coordinator, on request, with appropriate proof of ownership of the number of shares specified in the Undertaking and to automatically report any premature share sales to their coordinator.

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- In the third quarter, each participant will be informed of the number of option rights granted under the BOP 2017.

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## Contacts

### BASF SE

COS/G

67056 Ludwigshafen

- If you have any questions concerning the Program in general, the respective **BOP coordinator** will be happy to provide assistance. A list of all coordinators is available on the Internet at **[www.basf.de/bop](http://www.basf.de/bop)**.

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- Individual questions concerning the number of outstanding option rights or specific exercise orders etc. may be addressed to the **Options Office**, Senior Executive HR International (COS/G), BASF SE, by e-mail (**[bop-hotline@basf.com](mailto:bop-hotline@basf.com)**) or fax (**+49 621 60 66 34567**).

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- Specific questions regarding individual net exercise gains should be addressed to the respective **Payroll Department**.

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