

BASF UK Group Pension Scheme

Annual Report & Financial Statements

For the year ended 31 December 2022

Scheme Registration Number: 10135237

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Trustee and advisers

Principal Employer	BASF plc		
Participating Employers	BASF Metals Ltd	BASF Colors & Effects UK Limited	
	Chemetall Ltd	BASF Pharma (Callanish) Ltd	
Directors of BASF Pensions Trustee Limited (the Trustee Company)	BASF Agricultural Specialities Ltd		
	Independent Trustee (Chair) Ross Trustees Services Limited (represented by J Myerson) [S Ahmad to 31 October 2022] [J Myerson from 1 November 2022]	Company appointed O Hoerner (resigned 8 August 2022) M Newbould D Welsh PC Wormald	Member nominated K Crabtree R Portman G Thomson
Company Secretary	H Koerner		
Pension Manager	A Wilkins		
Administrator	Buck		
Actuary	G Connolly (Towers Watson Limited)		
Independent Auditors	PricewaterhouseCoopers LLP		
Legal Advisers	Arc Pensions Law		
Investment Advisers	LCP (DB)	Mercer Limited (DC)	
Global Custodian	JP Morgan		
Life Insurers	MetLife		
Bankers	Lloyds Bank plc		
Investment Managers	Group Section Insight Investment Management Limited Royal London Asset Management Limited (RLAM) Barings LLC	BPP Section Legal & General Investment Management Limited (LGIM) (until April 2022) Insight Investment Management Limited Royal London Asset Management Limited (RLAM) Barings LLC Intermediate Capital Group plc (ICG)	
	Chemetall Section Legal & General Investment Management Limited (LGIM) (from September 2022) Insight (from December 2022) SEI Investments (Europe) Limited ('SEI')	Combined DC Sections Scottish Widows Limited (Scottish Widows)	
AVC Providers	BPP Section Utmost Life and Pensions Friends Life	Group Section Utmost Life and Pensions Phoenix Life Prudential Assurance Company Limited Friends Life	
	Chemetall Section Prudential Assurance Company Limited		

Trustee's Report

BASF Pensions Trustee Limited (the Trustee) of the BASF UK Group Pension Scheme (the Scheme) presents the annual report and financial statements for the year ended 31 December 2022.

Trustee

The Trustee is a corporate Trustee. The full Trustee board met five times during the year ended 31 December 2022. Each Trustee Director has one vote, and a decision may be carried by simple majority. In the event of a tied decision, the Chair has the casting vote. During 2022 the Chair did not have to exercise their casting vote.

The powers of appointment and removal of the Trustee are vested in the principal employer and must be exercised by Deed. The Articles of Association of the Scheme's corporate Trustee and the Rules of the Scheme contain provisions for the appointment and removal of Trustee Directors. However, the Pensions Act 1995 gave members the right to elect some of the Directors of the Trustee Company and the Directors who are member nominated are indicated above.

The Board continues to satisfy the statutory requirement for at least one third of the directors to be member nominated.

Committees

The following Trustee committees met in 2022 as specified below:

- | | |
|--|---------------|
| ▪ Administration Services & Governance Committee | Met - 3 times |
| ▪ DB Investment Committee | Met - 5 times |
| ▪ DC Committee | Met - 4 times |

Scheme constitution and management

The Scheme is governed by the Trustee who is required to act in accordance with the Trust Deed and the Scheme Rules, within the framework of pension and trust law. The Scheme was established by the principal employer, for the benefit of its employees and those of its fellow group and/or subsidiary companies.

The Scheme has been granted tax exempt status under the terms and provisions of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988. The Trustee knows of no reason why this approval may be prejudiced or withdrawn.

The Scheme is made up of three segregated sections:

- The BASF Group Section (**Group Section**)
- The BASF Performance Products Section (**BPP Section**)
- The Chemetall Section (**Chemetall Section**)

Both the Group Section and the BPP Section are hybrid schemes consisting of separate DB and DC sections. The Chemetall Section is a DB scheme.

The Scheme is governed by a Trust Deed which ensures that the assets of the Scheme are segregated from the finances of the principal and participating employers.

Group Section

The DB section of the Scheme closed to future accrual with effect from 31 March 2012. All active DB members on 31 March 2012 had the option of joining the DC section of the Scheme. In July 2018, Chemetall Ltd became a participating employer and all active employees were enrolled into the Group DC Section of the Scheme.

Scheme constitution and management (continued)

BPP Section

The DB section closed to future accrual with effect from 31 December 2015. All active DB members at 31 December 2015 were automatically enrolled in the DC section of the Scheme on 1 January 2016 and were categorised as BPP Transferred DB members. Prior to this, on 31 December 2006, the DB section of the Scheme was closed to new members and pension benefits earned after this date were based on career average earnings over an individual's future career, with an element earned on a defined contribution basis. With effect from 1 January 2007, the defined benefit section became known as the hybrid section but for the purposes of this report is referred to as the DB section throughout.

New employees joining the company from 1 January 2007 are eligible for membership of the defined contribution section of the Scheme. Members of the original defined benefit section were also given the option of joining this new section of the Scheme.

Chemetall Section

The DB section was closed to future accrual on 30 June 2018. Since 1 July 2018, all Chemetall Ltd employees accrue DC Benefits in the Group Section of the Scheme.

Combined DC Sections

For presentation purposes, the DC section of the Group Section and the DC section of the BPP Section have been combined in these financial statements.

Financial developments and financial statements

The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

GMP Equalisation

In October 2018, the High Court determined that pension schemes are required to equalise pension benefits between men and women for the effect of guaranteed minimum pensions (GMP) which were accrued between 17 May 1990 and 5 April 1997.

In November 2020, a further ruling determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 5 April 1997 between men and women.

The Trustee has reviewed, with their advisers, the implication of these rulings on the Scheme in the context of the rules of the Scheme and consider the total liability to be immaterial to the financial statements.

Statement of Trustee's responsibilities

The Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the BASF Pension Website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Scheme Membership

The changes in membership during the year are as follows:

Combined DC Sections	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2022	700	2,557	-	-	3,257
Adjustments to prior year	(2)	2	-	-	-
New members joining	84	-	-	-	84
Members retiring	(1)	(38)	-	-	(39)
Members leaving prior to pensionable age	(73)	73	-	-	-
Deaths	(2)	(5)	-	-	(7)
Transfers out	-	(107)	-	-	(107)
At 31 December 2022	706	2,482	-	-	3,188

BPP DB Section	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2022	-	1,570	1,950	370	3,890
Adjustments to prior year	-	(2)	(8)	-	(10)
New beneficiaries	-	-	-	29	29
Members retiring	-	(52)	61	-	9
Deaths	-	(1)	(38)	(13)	(52)
Transfers out	-	(16)	-	-	(16)
At 31 December 2022	-	1,499	1,965	386	3,850

Chemetall DB Section	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2022	-	172	207	44	423
Adjustments to prior year	-	(1)	1	(1)	(1)
New beneficiaries	-	-	-	2	2
Members retiring	-	(18)	17	-	(1)
Deaths	-	(1)	(6)	(2)	(9)
Transfers out	-	(2)	-	-	(2)
At 31 December 2022	-	150	219	43	412

Group DB Section	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2022	-	813	2,132	476	3,421
Adjustments to prior year	-	-	(21)	(1)	(22)
New beneficiaries	-	-	-	38	38
Members retiring	-	(73)	78	-	5
Deaths	-	(1)	(77)	(30)	(108)
Transfers out	-	(9)	-	-	(9)
At 31 December 2022	-	730	2,112	483	3,325

All Sections	Active	Deferred	Pensioner	Beneficiaries	Total
Total membership	706	4,861	4,296	912	10,775

Salary Links

The table below shows the number of members with a salary link.

Section	2022	2021
Chemetall DB Section	12	14
Group DB Section	7	10

DC Pensioners

For DC members, benefits are generally provided outside of the Scheme, leaving no liability within the Scheme. However, up to 5 April 2015, members with a small DC Account may have been provided with a pension within the Scheme. The table below shows the number of members where pensions had been purchased.

Section	2022	2021
BPP DB Section	9	7

Scheme Membership (continued)

Annuities

The table below shows the number of members whose benefits are provided by annuities.

Section	2022	2021
BPP DB Section	11	11
Chemetall DB Section	2	2

Multi-Section membership

Some individuals are members of both the Group DB Section or BPP DB Section and DC sections of the Scheme. Each membership is included within the figures shown.

DC membership information

Section	Status	2022	2021
BPP DC Section *	Active	56	56
	Deferred	513	547
Group DC Section	Active	654	644
	Deferred	1,969	2,010

* Included within the DC section are 288 (2021: 310) BPP Transferred DB members.

Pension increases

During the Scheme year, pension increases were applied in accordance with the Scheme Rules as follows:

BPP Section DB

Pensions in payment are increased for most members by at least the minimum required by legislation. GMP increases are based on September inflation and applied in the following July. Excess over GMP increases are based on April inflation and applied in the following July. The increases provided over 2022 are shown below:

Section	Benefit	Increase	Reference index
Main	Pre 1988 GMP	0.0%	Nil increasing
	Post 1988 GMP	3.0%	Increased by CPI to a maximum of 3%
	Pension in excess of GMP (accrued before 1 January 2007)	5.0%	Increased by RPI to a maximum of 5%
	Pension (accrued after 31 December 2006)	2.5%	Increased by RPI to a maximum of 2.5%
Pira – pre Oct. '96 joiners	Pre 1988 GMP	0.0%	Nil increasing
	Post 1988 GMP	3.0%	Fixed 3% increase
	Pension in excess of GMP (accrued before 1 June 2004)	5.0%	Fixed 5% increase
Pira - post September 1996 joiners	Pre 1988 GMP	0.0%	Nil increasing
	Post 1988 GMP	3.0%	Increased by CPI to a maximum of 3%
	Pension in excess of GMP (accrued before 1 June 2004)	5.0%	Increased by RPI to a maximum of 5%

Pira members still in service after 31 May 2004 became BPP members thereafter and their pension increases are based on the Main section as described above. Deferred benefits were revalued at 1 April 2022 in accordance with the Scheme Rules.

Chemetall Section

Pension increases have been linked to Consumer Price Index ("CPI") rather than Retail Price Index ("RPI") since 1 January 2011. Pensions earned prior to 6 April 1997 do not increase in payment for most members (some members have fixed 3% increases in payment). Pensions earned after 6 April 1997 increase in line with the statutory minimum, which is the increase in CPI each year, but with increases capped. For pensions earned between 6 April 1997 and 31 December 2005 the cap is set at 5% pa; for those earned after that date it is set at 3%.

Pension increases (continued)

Group DB Section

Pensions in payment are increased for most members by at least the minimum required by legislation. Increases relating to the Retail Price Index (RPI) and the Consumer Price Index (CPI) are measured to September each year. The increases provided over 2022 are shown below:

Section	Benefit	Increase	Reference index
All (excluding Sorex)	Pre 1988 GMP*	0.0%	None
	Post 1988 GMP	3.0%	Increased by CPI to a maximum 3%
Main	Pension in excess of GMP (accrued before 6 Apr. '97)	4.9%	(Discretionary benefit)
	Pension (accrued between 6 Apr. '97 & 31 May '05)	4.9%	Increased by RPI to a maximum of 5%
	Pension accrued after 31 May '05	2.5%	Increased by RPI to a maximum of 2.5%
Knoll, Wilton and Textiles	Pension in excess of GMP (accrued before 1 June '05)	4.9%	Increased by RPI to a maximum of 5%
	Pension (accrued after 31 May '05)	2.5%	Increased by RPI to a maximum of 2.5%
Engelhard	Pension in excess of GMP (accrued before 6 Apr. '97)	0.0%	(Discretionary benefit)
	Pension (accrued between 6 Apr. '97 & 31 May '05)	4.9%	Increased by RPI to a maximum of 5%
	Pension (accrued after 31 May '05)	2.5%	Increased by RPI to a maximum of 2.5%
BCC - Feb - pre Dec. '93 leaver	All pensions in excess of GMP	3.0%	Fixed 3% increase
BCC - Feb - post November 1993 leaver	Pension in excess of GMP (accrued before 6 Apr. '97)	0.0%	(Discretionary benefit)
	Pension (accrued between 6 Apr. '97 & 31 May '08)	4.9%	Increased by RPI to a maximum of 5%
	Pension (accrued after 31 May '08)	2.5%	Increased by RPI to a maximum of 2.5%
BCC - Harris	Pension in excess of GMP (accrued before 1 June '08)	4.9%	Increased by RPI to a maximum of 5%
	Pension (accrued after 31 May '08)	2.5%	Increased by RPI to a maximum of 2.5%
Cognis	Pension in excess of GMP (accrued before 6 Apr. '97)	4.9%	Increased by RPI to a maximum of 5%
	Pension (accrued after 5 Apr. '97)	4.9%	Increased by RPI to a maximum of 5%
Sorex	GMP	3.0%	Fixed 3% increase
	Pension in excess of GMP (accrued before 6 Apr. '97)	3.0%	Fixed 3% increase
	Pension (accrued between 6 Apr. '97 & 31 Jan. '04)	3.0%	Increased by RPI to a maximum of 5% and a minimum of 3%
	Pension (accrued after 31 Jan. '04)	4.9%	Increased by RPI to a maximum of 5%

*Guaranteed Minimum Pension

Pension flexibilities (Combined Sections DC)

The Trustee has agreed to allow members to take advantage of new flexible benefit options introduced by the Government in April 2015. The only exception to this is the members who are entitled to a GMP, in which case, a pension is secured via an annuity to cover the GMP.

Transfer values

For DC members, transfer values will be equal to the value of the member's DC Account at the time of transfer.

For DB members, transfer values are calculated using assumptions chosen by the Trustee having taken advice from the Scheme actuary. No discretionary benefits are included in the calculation.

Report on Actuarial liabilities

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

Next Valuation

The next valuation for all sections is scheduled for 31 December 2023.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

BPP Section

The latest full actuarial valuation was performed by the Scheme Actuary as at 31 December 2020 under the Scheme Specific Funding Regulations. It was completed in January 2022.

Valuation

The valuation revealed the following (using the agreed assumptions):

▪ The value of the Technical Provisions was:	£1,133.6 million
▪ The value of the assets at that date was:	£1,120.7 million
▪ Past service (deficit) / surplus (technical provisions less assets):	(£12.9 million)
▪ Funding level (assets ÷ technical provisions):	99%

Buy-Out Basis Funding

On a buyout basis, the Section was 78% funded at 31 December 2020.

Recovery Plan

The Trustees agreed with the Company that in determining whether additional contributions are required to eliminate the shortfall over the recovery period, allowance will be made for the change in circumstances since the valuation date.

Due to a change in market conditions soon after the valuation date, it is estimated that the Section was in surplus for the vast majority of the time up to completion in early 2022. In particular, it was estimated that the Section had a funding surplus of £33.8m on 12 January 2022 shortly before the valuation was completed. Furthermore, the Section reduced the level of investment risk during 2022 (including further increasing the level of hedging), which reduced the risk of a future deterioration in the funding position.

As a result of these factors, the Trustee and Company have agreed that no new deficit recovery contributions are required to be paid to the Section.

Report on Actuarial liabilities (continued)

Significant actuarial assumptions

The tables below summarise the main financial and demographic assumptions used to calculate the technical provisions:

Financial assumptions	31 December 2020
Discount rate	WTW gilt curve + 1.35% pa up to and including 2031; WTW gilt curve plus 0.25% pa thereafter
RPI inflation	WTW gilt-implied breakeven RPI curve
CPI inflation	1% pa below the RPI inflation curve until 2030 and 0% pa below the RPI inflation curve thereafter
Enhanced revaluation (employed members)	In line with the LPI pension increase assumption for RPI up to 5% pa, as below
Deferred pension revaluation:	
▪ Pension accrued before 6 April 2009	Relevant inflation curve and caps as appropriate
▪ Pension accrued after 5 April 2009	
Pension increases in payment:	
▪ LPI increases (CPI up to 3% pa)	Relevant inflation curve subject to the relevant caps and floors and to future inflation volatility of 1.1% pa using the Black model
▪ LPI increases (RPI up to 5% pa)	
▪ LPI increases (RPI up to 2.5% pa)	
Demographic assumptions	31 December 2020
Mortality base tables	'SAPS 3 All Pensioner' tables with a 104% multiplier applied to the underlying mortality rates, for each individual's year of birth
Future improvements in longevity	CMI 2020 core projections model, 1.50% pa long term improvement rate, core value of the smoothing parameter (7.0), an initial addition to mortality improvements (A) parameter of 0.25% pa and no weight on 2020 experience
Proportion married at retirement	85% for male members, 70% for female members
Age difference assumption	Male members 3 years older than dependant
GMP equalisation reserve	Female members same age as dependant
Allowance for commutation	1.20%
Ill health retirement from active service:	An assumption that the member takes 75% of the maximum tax-free cash at retirement, based on the Scheme's commutation factors* adjusted to allow for expected future increases in members' longevity.
▪ DB Section	1.25% loading to liabilities in respect of employed members
▪ DC Section	Annual pensions amounting to £30k to come into payment over the period to the next valuation

Chemetail Section

The latest full actuarial valuation was performed by the Scheme Actuary as at 31 December 2020 under the Scheme Specific Funding Regulations. It was completed in January 2022.

Valuation

The valuation revealed the following (using the agreed assumptions):

▪ The value of the Technical Provisions was:	£56.0 million
▪ The value of the assets at that date was:	£43.1 million
▪ Past service (deficit) / surplus (technical provisions less assets):	(£12.9 million)
▪ Funding level (assets ÷ technical provisions):	77%

Buy-Out Basis Funding

On a buyout basis, the Section was 60% funded at 31 December 2020.

Report on Actuarial liabilities (continued)

Recovery Plan

As there were insufficient assets to cover the Chemetall Section's technical provisions at the valuation date, the Trustee and the Company are required to agree a recovery plan. This specifies how, and by when, the statutory funding objective is expected to be met. To eliminate this funding shortfall, the Trustee and the Company have agreed that the Company will pay deficit contributions of £1.36 million pa in equal monthly instalments until the end of the recovery period, 30 June 2028.

The funding shortfall at 31 December 2020 is expected to be eliminated by 30 June 2028. This expectation is based on the assumptions below.

- Technical provisions have been calculated according to the method and assumptions as set out in the Statement of Funding Principles dated February 2022
- The return on the Scheme's assets between 1 January 2021 and 30 June 2028 being in line with gilt investments plus 2.1% pa

Significant actuarial assumptions

The tables below summarise the main financial and demographic assumptions used to calculate the technical provisions:

Financial assumptions	31 December 2020
Discount rate	WTW gilt curve + 1.35% pa up to and including 2031; WTW gilt curve plus 0.25% pa thereafter
RPI inflation	WTW gilt-implied breakeven RPI curve
CPI inflation	1% pa below the RPI inflation curve until 2030 and 0% pa below the RPI inflation curve thereafter
Pensionable earnings increases	RPI inflation
Pension increases in deferment	Relevant inflation curve and caps as appropriate
Pension increases in payment:	
▪ LPI increases (CPI up to 3% pa)	Relevant inflation curve subject to the relevant caps and floors and to future inflation volatility of 1.1% pa using the Black model
▪ LPI increases (RPI up to 5% pa)	
▪ LPI increases (RPI up to 2.5% pa)	
Demographic assumptions	31 December 2020
Mortality base tables	'SAPS 2 All Pensioner' tables with a 100% multiplier applied to the underlying mortality rates, for each individual's year of birth
Future improvements in longevity	CMI 2020 core projections model, 1.50% pa long term improvement rate, core value of the smoothing parameter (7.0), an initial addition to mortality improvements (A) parameter of 0.50% pa and no weight on 2020 experience
Proportion married at retirement	85% for male members, 60% for female members
Age difference assumption	Male members 3 years older than dependant Female members same age as dependant
GMP equalisation reserve	£0.2 million
Allowance for commutation	An assumption that the member takes 25% of the maximum tax-free cash at retirement, based on terms that are halfway between the current factors and cost neutral factors on the preliminary technical provisions basis

Report on Actuarial liabilities (continued)

Group Section

The latest full actuarial valuation was performed by the Scheme Actuary as at 31 December 2020 under the Scheme Specific Funding Regulations. It was completed in January 2022.

Valuation

The valuation revealed the following (using the agreed assumptions):

▪ The value of the Technical Provisions was:	£635.7 million
▪ The value of the assets at that date was:	£649.5 million
▪ Past service (deficit) / surplus (technical provisions less assets):	£13.8 million
▪ Funding level (assets ÷ technical provisions):	102%

Buy-Out Basis Funding

On a buyout basis, the Section was 89% funded at 31 December 2020.

Recovery Plan

As there were sufficient assets to cover the technical provisions at the valuation date, a recovery plan is not required.

Significant actuarial assumptions

The tables below summarise the main financial and demographic assumptions used to calculate the technical provisions:

Financial assumptions	31 December 2020
Discount rate	WTW gilt curve + 1.35% pa up to and including 2026; WTW gilt curve plus 0.25% pa thereafter
RPI inflation	WTW gilt-implied breakeven RPI curve
CPI inflation	1% pa below the RPI inflation curve until 2030 and 0.5% pa below the RPI inflation curve thereafter
Pensionable earnings increases	RPI inflation plus 1% pa
Pension increases in deferment	Relevant inflation curve and caps as appropriate
Pension increases in payment:	
▪ LPI increases (CPI up to 3% pa)	Relevant inflation curve subject to the relevant caps and floors and future inflation volatility of 1.1% pa using the Black model
▪ LPI increases (RPI up to 5% pa)	
▪ LPI increases (RPI up to 2.5% pa)	
▪ LPI increases (CPI up to 5% pa)	
▪ LPI increases (RPI minimum of 3% pa and maximum of 5% pa)	
Demographic assumptions	31 December 2020
Mortality base tables	'SAPS 3 All Pensioner' tables with a 99% multiplier applied to the underlying mortality rates, for each individuals' year of birth
Future improvements in longevity	CMI 2020 core projections model, 1.50% pa long term improvement rate, core value of the smoothing parameter (7.0), an initial addition to mortality improvements (A) parameter of 0.25% pa and no weight on 2020 experience
Proportion married at retirement	85% for male members, 70% for female members
Age difference assumption	Male members 3 years older than dependant Female members same age as dependant
GMP equalisation reserve	2.60%
Allowance for commutation	An assumption that the member takes 50% of the maximum tax-free cash at retirement, based on the Scheme's commutation factors* adjusted to allow for expected future increases in members' longevity
Ill health retirement from active service:	
▪ DB Section	0.5% loading to liabilities in respect of employed members
▪ DC Section	Annual pensions amounting to £75k to come into payment over the period to the next valuation

Investment report

Over the year under review, the investments of each Section of the BASF UK Group Pension Scheme were managed by various parties, as described below.

BPP Section

Investments were managed by Barings Asset Management Limited (Barings), Legal & General Investment Management Limited (LGIM) until April 2022, ICG, Insight Investment Management Limited (Insight), and Royal London Asset Management Limited (RLAM).

Chemetail Section

Investments were managed by SEI in their role as **Fiduciary Manager**, and later transferred to LGIM (in September 2022) and Insight (in December 2022).

Group Section

Investments were managed by Barings, Insight and RLAM.

Combined DC Sections

Investments were invested using the Scottish Widows investment platform.

Statement of Investment Principles (SIP)

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (SIP) has been produced by the Trustee following consultation with the Employer. The main purpose of the SIP is to set out details of the investment strategy that is to be followed, the Trustee's investment objectives and its attitude to risk.

The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employer, Investment Advisers, and the Scheme Actuary are consulted during the review. Independent SIPs for the DB and DC sections are available on the [Pension Website](#), and can be accessed directly using the following links:

- [DB SIP](#)
- [DC SIP](#)

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

Group Section

The following table details the asset distribution at the financial year end by portfolio.

Portfolio	Asset class	Pooled / segregated	Allocation at 31 December 2022 (£m)	Allocation at 31 December 2021 (£m)
Barings Global Private Loans Fund II	Private Credit	Pooled	19.6	28.1
Barings Global Private Loans Fund III	Private Credit	Pooled	22.7	22.3
Insight Buy and Maintain Credit	Buy & Maintain Credit	Segregated	88.0	116.9
RLAM Buy and Maintain Credit	Buy & Maintain Credit	Segregated	99.3	126.9
Insight High Grade ABS Fund	ABS	Pooled	107.7	215.8
Insight LDI	LDI	Segregated	106.1	122.6
Cash / NCA			0.1	0.2
Total			443.5	632.8

Figures may not sum due to rounding. Excludes AVC investments and assets held in the Trustee bank account. Data provided by JP Morgan and is based on bid prices where available.

Investment strategy (continued)

The Trustee's long-term strategic target is to achieve full funding on a Gilts+0.25% per annum basis. Having considered the maturity, cash flow profiles, funding levels, and covenant of the Company, the Trustee aims to achieve this target by **31 December 2026**. The investment strategy is made up of a liability hedging strategy and credit investments, some of which are in run-off. The strategy is based around generating sufficient investment returns to meet the long-term strategic target by the respective target date.

There is no formal rebalancing policy. The Trustee monitors the asset allocation from time-to-time and if material deviations occur, the Trustee considers whether it is appropriate to rebalance the assets.

The Trustee regularly reviews the investment strategy and asset allocation to ensure an appropriate balance between risk and return. The investment strategy will be formally reviewed at least every three years, during the actuarial valuation, and will normally be reviewed annually. The investment strategy will also be reviewed in response to any material changes with respect to the Scheme.

Having implemented all de-risking measures, the Trustee, in agreement with the Company and following advice of its investment consultant, decided to follow the strategy of letting Private Credit and Buy and Maintain credit mandates run-off over time. The residual split between LDI and ABS mandates will be balanced at discretion of Insight, aiming to balance collateral adequacy, liquid risk and generating excess return. Therefore, a fixed asset allocation split is not applicable.

Material changes to the investments during the year ended 31 December 2022 are set out below:

- The management of the LDI collateral waterfall (i.e. moving between Insight's LDI and ABS portfolio) is dynamic and delegated to Insight, meaning that the relative allocations may change over time as gilt market conditions change.

These changes were made in accordance with the Scheme's investment strategy and de-risking policy as set out in the Statement of Investment Principles.

Departures from the SIP

Changes made to the investments over the year were primarily in accordance with the investment strategy and de-risking policy as set out in the latest Statement of Investment Principles.

BPP Section

The following table details the asset distribution at the financial year end by portfolio.

Portfolio	Asset class	Pooled / segregated	Allocation at 31 December 2022 (£m)	Allocation at 31 December 2021 (£m)
LGIM Future World Fund	Overseas & Global Equities	Pooled	-	79.3
LGIM Future World Fund – GBP Hedged	Overseas & Global Equities	Pooled	-	79.6
Barings Global Private Loans Fund II	Private Credit	Pooled	19.6	28.1
Barings Global Private Loans Fund III	Private Credit	Pooled	27.3	26.8
ICG Senior Debt Partners Fund III	Private Credit	Pooled	31.6	35.8
ICG Senior Debt Partners Fund IV	Private Credit	Pooled	18.3	10.1
Insight Buy and Maintain Credit	Buy & Maintain Credit	Segregated	149.5	158.3
RLAM Buy and Maintain Credit	Buy & Maintain Credit	Segregated	146.0	157.8
Insight High Grade ABS Fund	ABS	Pooled	111.3	258.9
Insight LDI	LDI	Segregated	225.8	292.8
Cash / NCA			0.1	0.1
Total			729.5	1,127.6

Figures may not sum due to rounding. Excludes AVC investments and assets held in the Trustee bank account. Data provided by JP Morgan and is based on bid prices where available.

Investment strategy (continued)

The Trustee's long-term strategic target is to achieve full funding on a Gilts+0.25% per annum basis. Having considered the maturity, cash flow profiles, funding levels, and covenant of the Company, the Trustee aims to achieve this target by **31 December 2031**. The investment strategy is made up of a liability hedging strategy and credit investments, some of which are in run-off. The strategy is based around generating sufficient investment returns to meet the long-term strategic target by the respective target date.

The Trustee, in agreement with the Company, acknowledge to have implemented all de-risking measures according to the de-risking policy in place. The de-risking policy acts to reduce risk when the required return to reach each Section's relevant funding target reduces, or the funding level increases.

There is no formal rebalancing policy. The Trustee monitors the asset allocation from time-to-time and if material deviations occur, the Trustee considers whether it is appropriate to rebalance the assets.

The Trustee regularly reviews the investment strategy and asset allocation to ensure an appropriate balance between risk and return. The investment strategy will be formally reviewed at least every three years, during the actuarial valuation, and will normally be reviewed annually. The investment strategy will also be reviewed in response to any material changes with respect to the Scheme.

Having implemented all de-risking measures, the Trustee, in agreement with the Company and following advice of its investment consultant, decided to follow the strategy of letting Private Credit and Buy and Maintain credit mandates run-off over time. The residual split between LDI and ABS mandates will be balanced at discretion of Insight, aiming to balance collateral adequacy, liquid risk and generating excess return. Therefore, a fixed asset allocation split is not applicable.

Material changes to the investments during the year ended 31 December 2022 are set out below:

- In April 2022, a de-risking trigger was reached and subsequent redemption of remaining equity allocation with LGIM. The proceeds were invested into credit: 50% Insight ABS, 25% Insight Buy & Maintain Credit (specifically into shorter-dated credit), and 25% RLAM Buy & Maintain Credit.
- The management of the LDI collateral waterfall is dynamic and delegated to Insight, meaning that the relative allocations may change over time as gilt market conditions change.

These changes were made in accordance with the Scheme's investment strategy and de-risking policy as set out in the Statement of Investment Principles.

Departures from the SIP

Changes made to the investments over the year were in accordance with the investment strategy and de-risking policy as set out in the Statement of Investment Principles.

Chemetail Section

The strategic asset allocation is set to ensure that the fund can meet the return objective required by the Statutory Funding Objective. The allocation takes account of the liability profile and seeks to limit the risks of the assets failing to meet the liabilities over the long term to the extent possible given the return target.

In February 2022, the Trustee, in agreement with the company and following advice from its Investment Consultant and the Scheme Actuary, decided to unwind the Fiduciary Management model. The reasons were the improved funding position and similar journey plan to BPP, and the recent merger into the scheme, which allowed to make use of synergies and simplify the governance.

Following this decision, the Trustee reviewed the strategic asset allocation from SEI to the same managers used to invest the assets for Group and BPP.

Investment strategy (continued)

The following tables detail the distribution of the invested assets at the financial year end by fund:

Portfolio	Asset class	Pooled / segregated	Allocation at 31 December 2022 (£m)	Allocation at 31 December 2021 (£m)
SEI investments as fiduciary manager			-	46.4
LGIM Future World Fund	Overseas & Global Equities	Pooled	6.5	-
LGIM Future World Fund – GBP Hedged	Overseas & Global Equities	Pooled	6.6	-
Insight Buy and Maintain Credit	Buy & Maintain Credit	Pooled	1.5	-
Insight High Grade ABS Fund	ABS	Pooled	2.5	-
Insight LDI	LDI	Pooled	10.6	-
Insight Liquidity Plus Fund	Liquidity	Pooled	1.0	-
Cash / NCA			-	0.3
Total			28.7	46.7

Figures may not sum due to rounding. Excludes AVC investments and assets held in the Trustee bank account.

The Trustee's long-term strategic target is to achieve full funding on a Gilts+0.25% per annum basis. Having considered the maturity, cash flow profiles, funding levels, and covenant of the Company, the Trustee aims to achieve this target by **31 December 2031**.

The Trustee, in agreement with the Company, acknowledge to have implemented all de-risking measures according to the de-risking policy in place. The de-risking policy acts to reduce risk when the required return to reach each Section's relevant funding target reduces, or the funding level increases.

There is no formal rebalancing policy. The Trustee monitors the asset allocation from time-to-time and if material deviations occur, the Trustee considers whether it is appropriate to rebalance the assets.

The Trustee regularly reviews the investment strategy and asset allocation to ensure an appropriate balance between risk and return. The investment strategy will be formally reviewed at least every three years, during the actuarial valuation, and will normally be reviewed annually. The investment strategy will also be reviewed in response to any material changes with respect to the Scheme.

The current strategic allocation is shown in the table below:

Portfolio	Strategic allocation (%)
LGIM Future World Fund	20.0
LGIM Future World Fund – GBP Hedged	20.0
Insight Buy and Maintain Credit	6.0
Insight High Grade ABS Fund	9.0
Insight LDI & Liquidity Funds	45.0
Total (Group Section)	100.0

Combined DC Sections

The fund range offered to members is accessed through an investment platform provided by Scottish Widows.

To cater for the different risk appetites of members, the Trustee offers three risk-profiled funds (the Adventurous, Moderate and Cautious Funds). These funds can be accessed under "LifePlan" and "FreePlan" structures (with or without lifestyling respectively). Lifestyling options are available to target different retirement benefit types; namely cash, annuity, and income drawdown (the latter two including an allowance for tax-free cash benefits of 25%).

The Trustee has also chosen to make available a further four FreePlan funds. These are the Pre-Retirement Annuity, Cash, Ethical and HSBC Islamic Funds. The underlying target asset allocation splits (at the pooled fund level) for the funds available to members are set out in the following table.

Investment strategy (continued)

Fund	Underlying Funds	Allocation at 31 December 2022 (%)	Allocation at 31 December 2021 (%)
Adventurous	BlackRock Global Developed Fundamental Weighted Index	25.00	25.00
	BlackRock Global Minimum Volatility Index	25.00	25.00
	Allspring Emerging Market Equity	23.00	23.00
	L&G Future World Global Equity Index	27.00	27.00
Moderate	BlackRock Global Developed Fundamental Weighted Index	14.15	14.15
	BlackRock Global Minimum Volatility Index	14.15	14.15
	Allspring Emerging Market Equity	6.50	6.50
	Baillie Gifford Diversified Growth	16.67	16.67
	Abrdn Global Absolute Return Strategy	16.67	16.67
	L&G Diversified	16.66	16.66
	L&G Future World Global Equity Index	15.20	15.20
Cautious	BlackRock Global Developed Fundamental Weighted Index	9.20	9.20
	BlackRock Global Minimum Volatility Index	9.20	9.20
	Allspring Emerging Market Equity	4.10	4.10
	Baillie Gifford Diversified Growth	10.84	10.84
	Abrdn Global Absolute Return Strategy	10.83	10.83
	L&G Diversified	10.83	10.83
	L&G AAA-AA-A Corporate Bonds (All Stocks)	23.30	23.30
	Aquila Connect Up to 5 Year Index Linked Gilts	11.70	11.70
L&G Future World Global Equity Index	10.00	10.00	
Pre-Retirement	L&G Pre-Retirement Annuity Fund	100.0	100.0
Cash	L&G Sterling Liquidity Fund	100.0	100.0
Ethical	L&G Ethical Global Equity Fund	100.0	100.0
HSBC Islamic	HSBC Islamic Global Equity Index Fund	100.0	100.0

Note: Abrdn is the investment manager formerly known as Aberdeen Standard. Allspring is the investment manager formerly known as Wells Capital

The values of the funds in which members may invest are set out below at the beginning and end of the period under review.

Investment Fund	31 December 2022 (£k)	31 December 2021 (£k)
Adventurous	71,301	77,225
Moderate	97,304	113,982
Cautious	13,089	14,081
Pre-Retirement Annuity	26,413	36,254
Sterling Liquidity	19,049	18,294
Ethical Global Equity	9,205	9,825
HSBC Islamic	9,665	11,792
Total	246,026	281,453

Figures may not sum due to rounding. All data provided by Scottish Widows.

Taskforce on Climate-Related Financial Disclosures (TCFD)

The Trustee has produced a TCFD report, which is available to the [Pension Website](#) and can be accessed [here](#).

Investment performance

The performance of the investment managers is reviewed periodically at the Trustee's meetings. The following tables show the performance, over the one and three year periods to 31 December 2022, based on the performance of the investment managers after the deduction of fees.

	One Year	Benchmark	Three Year	Benchmark
Group Section	-25.6%	-24.9%	-5.3%	-5.3%
BPP Section	-32.4%	-30.6%	-6.6%	-5.9%
Chemetall Section**	-37.6%	-32.9%*	-	-

Excludes AVC investments. Data provided by JP Morgan.

*** Excludes AVC investments. Source: LCP Visualise estimate of the change to the value of the Chemetall Section assets.*

In 2022, there was significant market volatility, particularly in relation to concerns about the war in Ukraine, rising levels of inflation, rising central bank interest rates (in the UK and globally), and the long-term impact of the COVID-19 pandemic. For the UK, new fiscal and economic policy initiatives announced by the UK Government in September also materially impacted on government bond yields and foreign currency values across September/October 2022.

Group & BPP Sections

The Sections use leveraged LDI investments that have exposure to government bond yields, managed on a discretionary basis by Insight. During the market volatility, these LDI assets fell in value as government bond prices fell, which drove negative performance from the Section's total assets. However, this downwards movement to the LDI assets was by design, as the Section's liability values also fell materially due to rising government bond yields (and overall the relative funding difference between the asset and liability values remained relatively stable). The Section's target liability hedging protection was maintained throughout the period, with Insight managing the available collateral for the LDI positions as required.

Chemetall Section

The Section uses leveraged LDI investments that have exposure to government bond yields. During the market volatility, these LDI assets fell in value as government bond prices fell, which drove negative performance from the Section's total assets. However, this downwards movement to the LDI assets was by design, as the Section's liability values also fell materially due to rising government bond yields. In October 2022, SEI chose not to meet all collateral calls on the LDI funds used at the time, and hence the Section's liability hedging protection was reduced from around 90% to around 80% (on a gilts+0.25% pa basis).

Combined DC Sections

The Trustee receives quarterly reports from its investment adviser showing performance by manager and fund in absolute terms and relative to benchmarks. DC members are provided with quarterly performance information on DC fund factsheets which are available online.

The Scheme has been invested via the Scottish Widows platform since 1 April 2014. Investment returns over periods to 31 December 2022 were as follows:

	One Year	Benchmark	Three Year	Benchmark
Adventurous	-3.5	-2.6	5.6	6.3
Moderate	-6.8	-2.3	2.9	5.0
Cautious	-7.8	-5.2	1.2	2.4
Pre-Retirement Annuity	-29.2	-29.4	-9.3	-9.3
Sterling Liquidity	1.3	1.4	0.5	0.5
Ethical	-6.5	-6.2	9.1	9.4
HSBC Islamic	-15.6	-15.2	9.2	10.4

All data provided by Scottish Widows. Fund returns shown net of charges

Transaction costs

The Trustee is aware that indirect transaction costs will be incurred through the bid-offer spread on investments within the pooled investment vehicles and charges made within those vehicles.

Remuneration of investment managers

The Group Section pays fees to each of the investment managers based on their assets under management, as well as a performance fee for the funds with Barings.

The BPP Section pays fees to each of the investment managers based on their assets under management, as well as a performance fee for the funds with ICG and Barings.

The Chemetall Section pays fees to each of the investment managers based on their assets under management and there are no performance fees relative to the current investments.

In addition to the annual management charges paid, there may be further expenses incurred in the management of each portfolio which will be reflected in the portfolio' returns.

Custody of assets

The underlying pooled fund assets are held by a number of custodians who have agreements with the investment manager. There is no direct relationship between the pooled investment managers' custodians and the Trustee.

The Trustee has a direct relationship with JP Morgan as global custodian assets. The Trustee reviews the procedures and controls operated by the custodian from time to time.

The Scheme's DC assets are managed through pooled funds. The pooled fund managers are responsible for selecting and monitoring the custodian for the underlying assets within their funds.

Investment management

The overall management of the Trustee's investments is the responsibility of the Trustee. However, the day-to-day management the asset portfolio is the responsibility of the investment managers, who operate within the guidelines of their specific mandates.

Trustee policy: voting rights

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, considering the long-term financial interests of the beneficiaries. The Trustee expects the managers to communicate their policies on stewardship from time-to-time and provide reporting on the results of their engagement and voting activities regularly and at least once a year.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council.

Investment management (continued)

Trustee policy: Environmental, Social and Governance (ESG) and ethical factors

The Trustee has considered how ESG and ethical factors (including, but not limited to climate change) should be included in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee influences the Scheme's approach to ESG and other financially material factors through its investment strategy and manager selection decisions. The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) within the parameters of the mandates they are set. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it will seek to encourage its investment managers to improve their practices within the parameters of their funds. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time-to-time reviews how its managers are taking account of these issues in practice.

The Trustee has applied a negative screening to the Scheme's assets whereby investments in companies that produce cluster munitions is prohibited. The Trustee circulates a list of companies that are involved in the production of cluster munitions to the Scheme's investment managers, who are asked to exclude investments in these companies from segregated accounts. The list of prohibited companies is updated annually by BASF SE, following which it is reviewed by the Trustee before being applied. The Trustee reserves the right to amend this policy from time to time and, if it is amended, will revise this Statement accordingly.

With the exception of cluster munitions, the Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Trustee policy: implementation of asset manager arrangements

The Trustee delegates the day-to-day management of the assets to the investment managers. Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. The Trustee has signed agreements with the investment managers setting out the terms on which the portfolios are to be managed.

The Trustee can influence managers' investment practices where it invested in segregated mandates, however it has limited influence over managers' investment practices where assets are held in pooled funds. In both cases it encourages its managers to improve their practices where appropriate.

The Trustee view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of the mandate. In practice the Trustee notes that pooled fund managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

The Trustee has a responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer-term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). The Trustee assesses this when selecting and monitoring managers.

Investment management (continued)

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone. Except in closed-ended funds, where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used to monitor the investment managers, the Trustee does not explicitly monitor portfolio turnover. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

Combined DC Sections: Responsible Investment and Corporate Governance

The Scheme's policy on responsible investment and corporate governance is documented in its Statement of Investment Principles, which is included below for ease of reference. Details of how the Trustee has implemented the policies in the SIP are provided in the Implementation Statement, on pages 67 to 86.

BPP Section, Chemetall Section, and Group Section: employer related investments





None of the assets were invested in employer-related investments in BASF plc, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

Combined DC Sections: employer related investments

The funds held are held in Life Fund wrappers. Our understanding is that these structures fall outside the scope of regulations for direct holdings of employer related investments.

Further information

Any queries or complaints about the Scheme, including requests from individuals for information about their benefits or for a copy of Scheme documentation, should be sent to:

 BASF UK Group Pension Scheme	 basf@buck.com
Buck	
PO Box 319 (Bristol)	 0330 123 0647
Mitcheldean	
GL14 9BF	 www.buckhrsolutions.co.uk/basf

The Trustee's report (pages 2 to 20), and Implementation Statement (pages 65 to 74) were approved by the Trustee on 19 July 2023 and signed on its behalf by:



Melanie Newbould (Jul 19, 2023 15:29 GMT+1)

Melanie Newbould
Trustee director



Kevin Crabtree (Jul 20, 2023 09:41 GMT+1)

Kevin Crabtree
Trustee director

DC Governance Statement

This statement describes how the Trustee has governed the DC Section of the Scheme during the year. The Occupational Pension Schemes (Scheme Administration) Regulations 1996 require the Trustee to include an annual statement regarding governance in the annual report, and this statement covers the period from 1 January 2022 to 31 December 2022.

The Trustee Board delegates certain matters relating to the DC Section to its DC Committee. The Trustee Board has agreed appropriate terms of reference for the DC Committee, which meets at least three times per year to consider matters relating to the DC Section. The DC Committee reports after each DC Committee meeting to the Trustee Board.

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The DC Committee is supported by a specialist professional DC investment adviser, who also covers wider DC matters and governance, and attends meetings of the DC Committee. The Trustee's legal adviser and representatives of the Scheme administrator also provide support and attend meetings of the Trustee Board and / or the DC Committee when required. Day-to-day support to the DC Committee is provided by the BASF In-House Pension Team.

The statement covers four principal areas:

- Investment, with focus on the Scheme's default investment arrangements
- Internal controls, with focus on the processing of core financial transactions
- Value for members, including details of the charges and transaction costs deducted from member funds
- The knowledge and resources available to the Trustee, including how the Trustee maintained the statutory levels of knowledge and understanding to govern the Scheme and how these help the Trustee to ensure that the Scheme is governed effectively

Investment Arrangements

The Scheme's latest Statement of Investment Principles (SIP), prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, can be accessed on the [Pension Website](#).

The SIP covers the Trustee's aims and objectives in relation to the investments, including the default investment arrangement. It also contains policies in relation to matters such as risk, diversification, and responsible investment. The SIP details why the Trustee believes the default investment arrangement to be designed in members' best interests.

There were no changes to the SIP during the Scheme year, as no changes were made to the Scheme's overall investment policies or the investment strategy for the DC Section. Changes to the underlying investment managers used in the strategy were made following the Scheme year end.

Default Arrangement

The default investment arrangement during the year covered by this statement was the Moderate Flexible Income LifePlan. This is a lifestyle strategy designed to help members planning to withdraw their benefits in a flexible way, typically through staying invested in retirement and drawing down on their savings over time (at the current time, this needs to be outside of the Scheme).

The default Moderate Flexible Income LifePlan invests in the Moderate Fund (a blended fund that invests c50% in global equities and c50% in diversified growth funds) until a member is 5 years away from their chosen Target Pension Date. The investments are then gradually switched each quarter so that at the point of retirement the member's investments are invested in a multi-asset "Cautious" Fund which holds a range of growth and defensive assets, and a pooled Sterling Liquidity Fund which holds cash and related money market investments.

DC Governance Statement (continued)

[Review of the Default Investment Arrangement](#)

As outlined in this statement last year (covering the year to 31 December 2021), the Trustee, through the DC Committee, commenced a strategic review of the default investment strategy in 2021, which continued into 2022.

The review activity during 2022 included:

Risk analysis: Further work on the level of risk within the default investment strategy, including consideration of the allocation to equities within the growth phase and the length of the de-risking phase. The DC Committee considered the impact of different risk levels on projected member outcomes up until retirement, along with metrics such as the “1 in 20 worst case” potential return over 1 year, at different ages.

Investment manager review: The Trustee, via the DC Committee, carried out a detailed review of the three appointed diversified growth fund (DGF) investment managers within the default investment strategy. This resulted in decisions being taken to:

- Replace one of the DGF managers with a new investment manager, with a view to improving future return potential (allowing for risk) as well as reducing ongoing fees for members.
- Replace one of the DGFs with an alternative fund managed by the same investment manager and team, but with additional objectives in relation to sustainability. The rationale for this was to continue to enhance how responsible investment considerations, including climate change, are integrated within the Scheme’s investment strategy. Additionally, the ongoing fees for this new fund are lower than the prior fund, improving long term value for members.

As part of this exercise, the DC Committee met with alternative investment managers to assess the range of options available, and to ensure that suitable investment managers are in place for the Scheme’s investment arrangements. Regulated investment advice was provided to the DC Committee on the new investment manager selections.

The two investment managers changes noted above were made following the Scheme year end in January 2023. All members affected received a communication on the changes.

[Other Investment Governance activity](#)

Over the year to 31 December 2022, performance and risk-based reviews were undertaken on a quarterly basis. These reviews incorporate independent quarterly reports from the DC adviser.

The reports provide detailed analysis of the performance of the Scheme’s investments against benchmarks, target performance levels and peer groups, as well as risk measures (for example, the volatility of returns) and the investment adviser’s research ratings which provide a forward-looking assessment of the likelihood of a fund’s performance objective being met. The DC Committee discusses the reports at each meeting.

In recognition of the high level of market volatility experienced during the year, The DC Committee also arranged for additional performance updates to be considered outside of the quarterly cycle, to assist with risk management and investment governance.

DC Governance Statement (continued)

Net Investment Returns

From 1 October 2021, trustees of all relevant pension schemes are required to calculate and state the return on investments, for all funds available to members, net of transaction costs and charges. This information is recorded in this statement and published on a publicly accessible website.

Investment returns after charges and costs for the funds available to members during the year are provided in the tables on the following pages. For the default strategy, the analysis assumes a retirement age of 65 and its performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle strategy that is in place, with the weightings as at the ages shown.

Note that 10-year + returns are not available because the Scheme's funds were only launched by the investment manager or added to the Scheme more recently. Returns since inception have been included to provide the longest history possible.

As context, 2022 was a volatile year for investment markets. Global equities produced a return over the year of -7.8%, whilst UK Government bonds returned -40.1%. Very few investment markets and regions were spared from concerns around inflation, geopolitical tensions such as the conflict in Ukraine, and the ongoing economic impact of the pandemic.

Default strategy – Moderate Flexible Income LifePlan - returns (net of fees) % p.a.				
Age of Member	1 Year	5 Years	Since Inception	Inception Date
Up to age 60 (Moderate Fund)	-6.8	3.8	5.1	1 April 2014
Age 65	-5.5	1.9	3.2	1 April 2014

FreePlan (self-select) funds - returns (net of fees) % p.a.				
Fund	1 Year	5 Years	Since Inception	Inception Date
Moderate	-6.8	3.8	5.1	1 April 2014
Adventurous	-3.5	6.1	7.9	1 April 2014
Cautious	-7.8	2.3	4.1	1 April 2014
Ethical	-6.5	9.4	11.6	1 April 2014
Islamic	-15.6	11.4	13.2	1 April 2014
Sterling Liquidity	1.3	0.5	0.5	1 April 2014
Pre-Retirement Annuity	-29.2	-3.9	1.4	1 April 2014

Source: Scottish Widows. Fund returns shown net of all member-borne charges and costs. Inception dates throughout shown for underlying investment funds.

DC Governance Statement (continued)

Internal Controls and Core Financial Transactions

The Scheme has appointed a professional third-party administrator, Buck.

The Trustee has received assurance from the Scheme Administrator, and has taken steps to seek to ensure, that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments, and payment of benefits to members. Our processes in this regard are documented below.

Administration

The Trustee has established service level agreements (SLAs) with the third-party administrator which include target timescales for processing core financial functions relating to contribution handling, quoting, switching, and paying benefits. The target timescales are all well within applicable statutory timescales.

Via the Administration Services and Governance Committee and the in-house team, the Trustee monitors SLAs on a quarterly basis. Over the year to 31 December 2022, the average percentage level of SLAs achieved for DC Sections of the Scheme stood at 97% (in 2021 this figure was 94%). The Administration Services and Governance Committee takes a proactive approach to questioning the administrator about their service levels.

SLAs are reported on an “end-to-end” measurement system. An individual query or member request may be opened and pended at various touchpoints. The service level used for each step is aggregated and at the point the case is closed the aggregated time is measured against the individual case service level. The ultimate driver is to improve members’ experience and provide a proactive service, while reducing the time work is open and active with the administration team.

The administrator completes monthly DC unit reconciliations and bank reconciliations, along with periodic ad-hoc testing of administration processes. For example, in prior years the Trustee has requested that the Scheme auditor tests how lifestyle de-risking switches are checked for accuracy and timeliness by the Scheme’s administrator.

The Trustee also has oversight of the core financial transactions of the “bundled” AVC arrangements with Prudential. Transactions are very limited given the small number of members involved and the closed nature of the arrangements, but no issues have been identified with core financial transactions in respect of these arrangements.

Broader Controls

The Trustee has sought to ensure that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.

All third-party providers are required to share their data security and cyber risk policies with the Trustee. These policies are reviewed, and the parties are questioned on any areas requiring clarity. The risk register has a dedicated section covering cyber risks, with detailed mitigation strategies documented for different aspects of cyber risks for each third-party provider.

The Trustee maintains and monitoring a risk register which includes risks in relation to core financial transactions, along with details of mitigation strategies adopted by the Trustee.

A professional firm has been appointed to undertake an annual audit of the Scheme.

DC Governance Statement (continued)

The Trustee receives the administrator's annual assurance report on internal controls. In respect of the most recent report received, the Independent Service Auditor's opinion was that, in all material aspects, the administrator's controls were suitably designed and those tested operated effectively. The internal controls audit report is reviewed by the Administration Services and Governance Committee.

During the year, the Covid-19 pandemic continued to require the Trustee and its providers to work flexibly, including making use of their previously prepared business continuity measures at times when access to workplaces was restricted, or when individuals were only able to work remotely. The Trustee is pleased to confirm that all Scheme operations have been maintained successfully. The Trustee Board and its Committees completed their 2022 meeting schedules via a mixture of in-person and video conference meetings. All monthly contributions have been paid on time. Important administration functions such as preparing benefit quotations, issuing benefit payments, investing monthly contributions, and updating member records continue to be processed promptly by the administrator. The Trustee will keep business continuity arrangements under careful review.

In the last Scheme year there have been no material administration service matters or internal controls issues which need to be reported here by the Trustee. The Trustee is confident that the processes and controls in place with the administrator are robust and will ensure that the requirements of regulation 24 of the Regulations have been met, and that core financial transactions have been processed promptly and accurately.

Value, Charges and Transaction Costs

The range of the levels of charges and transaction costs applicable to the default arrangements during the period are detailed in this section. All funds available to members have total expense ratios that fall below the defined contribution charge cap of 0.75% per annum.

In the following table, we set out the charges and transaction costs applicable to the funds used in the default investment arrangement and other investment funds on 31 December 2022. Funds used as part of the default investment option are shown in blue.

Fund	TER* (% p.a.)	Transaction Costs** (%)
Adventurous	0.391	0.01
Moderate	0.468	0.25
Cautious	0.344	0.16
Pre-Retirement Annuity	0.142	0.00
Sterling Liquidity	0.135	-0.01
Ethical	0.277	0.00
Islamic	0.412	-0.01

Source: Scottish Widows

* A "total expense ratio" reflects the total costs associated with managing and operating an investment fund, including investment management fees, fund legal fees, investment platform fees and any other expenses.

** When buying and selling investments, transaction costs can be incurred. Such costs are not explicitly deducted from a fund but are captured in its performance (i.e., the higher the transaction costs, the lower the returns). The FCA's guidance to investment managers (Policy Statement 17/20) has been used in calculating and disclosing these costs. Due to the way in which the costs must be calculated, they can be negative or positive; a negative figure is effectively a gain from trading, whilst a positive figure is effectively a cost from trading.

Impact of Costs and Charges

Using data provided by Scottish Widows and in accordance with Regulation 23(1)(ca) of the Administration Regulations, the Trustee has prepared illustrations detailing the impact of the costs and charges incurred by a member of the Scheme on their retirement savings pot. Statutory guidance has been considered when providing these examples.

DC Governance Statement (continued)

To represent the range of funds available, we are required to show the effect on a member's savings of investment in the following:

- The fund or strategy with the most members invested (Moderate Flexible Income LifePlan)
- The fund available as a FreePlan (self-select) option with the highest charges (Moderate Fund)
- The fund available as a FreePlan (self-select) option with the lowest charges (Sterling Liquidity Fund)

To show the impact across a typical working lifetime, the Trustee has based this on a member joining the Scheme as a graduate at age 21, using a starting pot of £0 and a salary based on the approximate graduate employee average. It assumes an overall contribution level in line with the employer's current default contribution structure.

The illustrations that follow take into account the following elements:

- Initial savings pot size
- Contributions, where applicable
- Real terms investment return gross of costs and charges
- Adjustment for the effect of costs and charges
- Time

Using data provided by Scottish Widows and in accordance with Regulation 23(1)(ca) of the Administration Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. Statutory guidance has been considered when providing these examples.

Year-End	Default investment option		Fund with the highest charges		Fund with the lowest charges	
	Moderate Flexible Income LifePlan	Moderate	Moderate	Sterling Liquidity	Moderate Flexible Income LifePlan	Moderate
	Pot size (no charges)	Pot size (with charges)	Pot size (no charges)	Pot size (with charges)	Pot size (no charges)	Pot size (with charges)
21	0	0	0	0	0	0
25	19,970	19,640	19,970	19,640	18,230	18,170
30	49,690	48,010	49,690	48,010	40,360	40,090
35	85,510	81,160	85,510	81,160	61,870	61,290
40	128,510	119,750	128,510	119,750	82,890	81,870
45	179,890	164,520	179,890	164,520	103,510	101,960
50	241,090	216,280	241,090	216,280	123,840	121,670
55	313,740	275,980	313,740	275,980	143,970	141,100
60	399,790	344,660	399,790	344,660	163,990	160,360
61	417,520	358,620	418,800	359,570	167,990	164,200
62	434,480	371,940	438,440	374,900	171,980	168,040
63	449,150	383,500	458,760	390,660	175,980	171,870
64	461,300	393,130	479,750	406,860	179,980	175,700
65	471,470	401,250	501,460	423,500	183,990	179,530

- 1) Values shown are estimates at end of each year and are not guaranteed.
- 2) Projected pension pot values are shown in today's terms.
- 3) To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator, as part of the triennial investment strategy review. The assumed member is age 21, with a normal retirement age of 65, using a starting pot size of £0 (i.e. a new joiner) and a salary of c. £29,000 p.a. which is assumed to increase in line with inflation + 1% p.a. The member's total contributions are assumed to be 16% of the member's salary p.a.
- 4) Inflation is assumed to be 2.5% p.a. over the long term.
- 5) Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Scottish Widows is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 4-year period to 31/12/2022.
- 6) Where transaction costs are negative, it has been assumed that these costs are zero, on the grounds of prudence and because negative costs are not expected to continue consistently over time.

DC Governance Statement (continued)

Value for Members

The Trustee has assessed the extent to which the charges and transaction costs set out above represent good value for members. The Trustee concluded in its meeting on 1 March 2023, following receipt of a report from its DC adviser, that the Scheme offers good value for money relative to peers including other potential arrangements of a similar size and nature (using data from Mercer and other available surveys and benchmarking), and relative to options available to the Trustee with alternative investment managers and providers.

The Trustee recognises that a range of pension scheme vehicles (for example, master trusts) are available in the market, noting any changes would ultimately be the employer's decision. The Scheme has benefit features in the Scheme rules, which currently preclude some of these options being viable, but the Trustee remains very open to considering a wide range of design models in future, with value for members in mind.

The Trustee conducts an annual Value for Money assessment to arrive at this conclusion, incorporating consideration of:

- Total expense ratio costs borne by members
- Transaction costs
- Net of cost investment performance
- Administration performance
- Governance arrangements
- Fund range available to members
- Investment manager and platform provider ratings
- Additional member services, including at retirement options, services, and member tools

A proportionate approach is adopted for assessing the closed legacy AVC arrangement with Prudential on the basis that the AVC holdings are relatively modest. The assessment in this respect concluded that the arrangement represented reasonable value for members, and it is noted that there can be reasons why certain AVC arrangements have particular value for individuals (for example, guarantees in respect of with-profits funds).

Trustee Knowledge and Understanding

The requirement under the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Scheme year by the Trustee as a body in dealing with the whole Scheme (not just the DC Section).

The Trustee has put in place arrangements for ensuring its Trustee Directors take personal responsibility for keeping up to date with relevant developments and each quarter considers training requirements. Training logs are maintained for each Director and training for the full board and its various Committees is provided regularly during meetings. Training plans and sessions are bespoke and tailored to issues that arise on the Trustee's business plan.

The Trustee has adopted a robust training programme for newly appointed Trustee Directors. For the Scheme, upon appointment, a Trustee Director is required to undertake an induction process. This includes a training session with the in-house pensions team and completion of the Pensions Regulator's online toolkit within six months of taking up office.

During the year, the training topics considered by the DC Committee and discussed at meetings included:

- Environmental, social, and governance matters, with a particular focus on climate change and the requirements to prepare disclosures under the Taskforce on Climate-Related Financial Disclosures (TCFD) framework (22 April 2022 and 8 July 2022 meetings).
- Sustainable investment developments and the range of investment funds available in this area (8 July 2022 meeting).

DC Governance Statement (continued)

- Emerging markets investments, including consideration of risks, opportunities, and the environmental, social, and governance characteristics of these markets (8 July 2022 meeting).
- Training on recent and forthcoming regulatory and policy changes, including pensions dashboards, changes to the requirements for setting strategic objectives for investment consultants, and the introduction of a new requirement for schemes to provide a “stronger nudge” to pensions guidance (26 October 2022 meeting).

The Trustee also periodically conducts assessments of its effectiveness as a Trustee Board by seeking feedback from each Trustee Director. These assessments include candid feedback on the Trustee’s operating framework and performance generally. The results are collated and discussed openly at Trustee meetings.

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by carrying out a training session in July 2018, in which case studies were completed. If there are any ambiguities over the interpretation of the Trust Deed and Rules, legal advice is sought from the Scheme’s legal advisers. A new consolidated Trust Deed and Rules was signed in June 2019 and the Trustee has put in place a risk control to arrange a “health-check” of the Scheme Rules by its legal advisers every three years and after any significant changes of legislation.

The Trustee is conversant with, and has a working knowledge of, the SIP. Refresher training was last provided at the DC Committee meeting of 5 November 2021. A SIP review is scheduled for 2023 which the Trustee will use as a further opportunity to keep its knowledge of the SIP regularly maintained.

The Trustee has also established a Terms of Reference confirming delegated responsibilities and powers for each of its Committees. Trustee training includes training on these Terms of Reference. A comprehensive review of the Terms of Reference for each Committee, and the delegated responsibilities in place, was completed in November 2022.

In addition, the Trustee receives advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. No changes were made to the advisers during the Scheme year.

All the Trustee Directors in office in 2022 have completed the Pension Regulator’s Trustee Toolkit. In addition, Directors are asked to complete the Pensions Management Institute Certificate in Trusteeship. The Trustee Directors are all working towards this qualification. The Chair of the Trustee Board is an accredited professional trustee with the Association of Professional Pension Trustees.

Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the Trustee Directors consider they are enabled properly to exercise their function as a Trustee.

Trustee Statement of DC Governance

The Trustee considers that its systems, processes, and controls across key governance functions are consistent with those set out in The Pensions Regulator’s Code of Practice.

Jo Myerson
Chair of Trustee
Signed for and on behalf of BASF Pensions Trustee Limited

Actuarial Certificates of Schedules of Contributions

Name of scheme: BASF UK Group Pension Scheme (BPP Section)

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected, at the date of signing this certificate, to be met by the end of the period specified in the recovery plan.

Adherence to statement of funding principles

- 2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles (February 2022).

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the BPP Section's liabilities by the purchase of annuities, if the Section were to be wound up.



Gareth Connolly
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited
18 February 2022

8 First Street
Manchester
M15 4RP

Name of scheme: BASF UK Group Pension Scheme (Chemetall Section)

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions in this schedule of contributions are such that the statutory funding objective on 31 December 2020 could have been expected to be met by the end of the period specified in the recovery plan.
- 2 I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

- 3 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles (February 2022).

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.



Gareth Connolly
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited
18 February 2022

8 First Street
Manchester
M15 4RP

Name of scheme: BASF UK Group Pension Scheme (Group Section)

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions in this schedule of contributions are such that the statutory funding objective on 31 December 2020 could have been expected to continue to be met during the period for which the Schedule is in force.

Adherence to statement of funding principles

- 2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles (February 2022).

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.



Gareth Connolly
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited
18 February 2022

8 First Street
Manchester
M15 4RP


Summary of Contributions

This summary of contributions has been prepared by, or on behalf of the Trustee and is the responsibility of the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the Scheme Actuary on 29 March 2019, 23 June 2020, and 18 February 2022, for all sections containing defined benefits.

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total (£'000)
Contributions required under the Schedules of Contributions					
Normal contributions (employer)	-	-	-	3,353	3,353
Salary sacrifice contributions (employer)	-	-	-	2,005	2,005
Normal contributions (employee) *	-	-	-	12	12
Deficit funding	-	1,360	-	-	1,360
As reported on by the Scheme auditors	-	1,360	-	5,370	6,740
Other contributions					
Bonus and redundancy sacrifice contributions	-	-	-	2,298	2,298
NI savings paid into member accounts	-	-	-	194	194
Additional – to cover expenses	-	22	-	-	22
Salary sacrifice additional voluntary contributions	-	-	-	663	663
Additional voluntary contributions (employee) *	-	-	-	7	7
Total other Contributions	-	22	-	3,162	3,184
Total reported in the financial statements	-	1,382	-	8,532	9,914

* The Employees normal and additional voluntary contributions are paid outside of salary sacrifice.

Approved by the Trustee on 19 July 2023 and signed on their behalf by:


Melanie Newbould (Jul 19, 2023 15:29 GMT+1)

Melanie Newbould
Trustee Director


Kevin Crabtree (Jul 20, 2023 09:41 GMT+1)

Kevin Crabtree
Trustee Director

Independent auditors' statement about contributions to the Trustee of BASF UK Group Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required under the Schedule of Contributions for the Scheme year ended 31 December 2022 as reported in BASF UK Group Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme Actuary on 29 March 2019, 23 June 2020 and 18 February 2022.

We have examined BASF UK Group Pension Scheme's summary of contributions for the Scheme year ended 31 December 2022 which is set out on the previous page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 July 2023

Independent auditors' report to the Trustee of BASF UK Group Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, BASF UK Group Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report and financial statements, which comprise: the statement of net assets (available for benefits) as at 31 December 2022; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the Scheme.

We have provided no non-audit services to the Scheme in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

Report on the audit of the financial statements (continued)

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all the information in the annual report and financial statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements.

Report on the audit of the financial statements (continued)

We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 July 2023

Fund Account for the year ended 31 December 2022

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)	Total 2021 (£'000)
Contributions and benefits						
Employer contributions	-	1,382	-	8,513	9,895	8,950
Employee contributions	-	-	-	19	19	36
Total contributions (5)	-	1,382	-	8,532	9,914	8,986
Transfers in (6)	-	-	-	215	215	839
Other income (7)	56	-	-	309	365	560
	56	1,382	-	9,056	10,494	10,385
Benefits paid (8)	(30,579)	(2,214)	(23,921)	(3,793)	(60,507)	(59,373)
Payments to and on account of leavers (9)	(10,154)	(1,049)	(4,174)	(15,741)	(31,118)	(24,938)
Administrative expenses (10)	(2)	-	(2)	(1)	(5)	(3)
	(40,735)	(3,263)	(28,097)	(19,535)	(91,630)	(84,314)
Net (withdrawals) from dealings with members	(40,679)	(1,881)	(28,097)	(10,479)	(81,136)	(73,929)
Returns on investments						
Investment income (11)	22,220	240	12,697	1	35,158	33,390
Change in market value of investments (12)	(373,980)	(16,146)	(170,431)	(24,293)	(584,850)	63,217
Investment management expenses (13)	(1,883)	(80)	(1,167)	-	(3,130)	(3,345)
Net returns on investments	(353,643)	(15,986)	(158,901)	(24,292)	(552,822)	93,262
Net (decrease)/increase in the fund	(394,322)	(17,867)	(186,998)	(34,771)	(633,958)	19,333
Transfers between sections (15)	-	-	(77)	77	-	-
Opening net assets	1,134,984	47,385	636,412	283,411	2,102,192	2,082,859
Closing net assets	740,662	29,518	449,337	248,717	1,468,234	2,102,192

Statement of Net Assets (Available for Benefits) as at 31 December 2022

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)	Total 2021 (£'000)
Investment assets (12)						
Equities	104	-	-	-	104	86
Bonds	677,657	-	374,192	-	1,051,849	1,055,408
Pooled investment vehicles (16)	219,296	28,701	159,934	245,933	653,864	1,170,558
Derivatives (17)	88,298	-	22,819	-	111,117	51,409
AVC investments (18)	-	521	763	435	1,719	1,844
Cash and cash equivalents (19)	4,863	6	9,413	-	14,282	10,933
Other investment balances (20)	6,390	-	4,040	-	10,430	8,403
Amounts receivable under reverse repurchase agreements (20)	21,323	-	-	-	21,323	39,528
	1,017,931	29,228	571,161	246,368	1,864,688	2,338,169
Investment liabilities (12)						
Derivatives (17)	(215,765)	-	(57,556)	-	(273,321)	(158,806)
Cash and cash equivalents (19)	(2,040)	-	(5,135)	-	(7,175)	(5,252)
Other investment balances (20)	-	-	(327)	-	(327)	(327)
Amounts due under repurchase agreements (20)	(70,569)	-	(63,898)	-	(134,467)	(83,640)
	(288,374)	-	(126,916)	-	(415,290)	(248,025)
Total investments	729,557	29,228	444,245	246,368	1,449,398	2,090,144
Current assets (26)	12,384	453	7,595	2,585	23,017	13,422
Current liabilities (27)	(1,279)	(163)	(2,503)	(236)	(4,181)	(1,374)
Total net assets available for benefits	740,662	29,518	449,337	248,717	1,468,234	2,102,192

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the Report on actuarial liabilities on pages 8 to 11 of the annual report, and these financial statements should be read in conjunction with this report.

The financial statements on pages 39 to 60 were approved by the Trustees on 19 July 2023 and signed on their behalf by:

Melanie Newbould
Trustee Director

Kevin Crabtree
Trustee Director

The notes on pages 39 to 60 form part of these financial statements

Notes to the financial statements

1. General information

The BASF UK Group Pension Scheme (the 'Scheme') is an occupational pension scheme established under trust. The Scheme has three defined benefit sections which are closed to future service accrual and a combined defined contribution section which is open to new members. The Scheme is registered under Chapter 2, Part 4 of the Finance Act 2004. Any queries should be sent to:

✉	BASF UK Group Pension Scheme Buck PO Box 319 (Bristol) Mitcheldean GL14 9BF	✉	basf@buck.com
		☎	0330 123 0647
		🌐	www.buckhrsolutions.co.uk/basf

Basis of Preparation

The individual financial statements of BASF UK Group Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

The financial statements are prepared on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English law.

3. Summary of significant accounting policies

The Scheme's functional currency and presentational currency is the pound sterling (GBP). The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements:

Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affects the amounts reported for assets and liabilities as at the statement of net assets date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements

Contributions

Contributions relating to wages and salaries earned in the financial year are included on the accruals basis in the payroll period it relates to at rates agreed between the Trustee and the participating employers for the year.

Bonus and redundancy sacrifice contributions and augmentations are accounted for in accordance with the agreements under which they are being paid.

Additional, special and NI savings contributions are accounted for in accordance with the agreement under which they are paid or on the date when they are received.

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions or other agreement under which they are being paid.

3. Summary of significant accounting policies (continued)

Transfer from and to other schemes

Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Scheme. They are accounted for on an accruals basis on the date the Trustee of the receiving plan accepts the liability. In the case of individual transfers, this is normally when the payment of the transfer value is made or received.

Benefits and payments to and on account of leavers

Pensions payable in respect of the Scheme year are accounted for by reference to the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Scheme as appropriate.

Administrative and other expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

Investment income

Dividend income (bonds and equities) is accounted for when the securities are quoted ex-dividend. Interest on cash deposits and bonds is accounted for by reference to the year to which it relates. Investment income is shown net of any tax withheld whilst any tax recoverable is included with the appropriate income.

Where income arising from the underlying investments of pooled investment vehicles is reinvested within the funds and reflected in the unit price, it is reflected in the change in market value. Where pooled investment income is received it is accounted for on an accruals basis.

Income arising from annuity policies held by the Trustee and received by the Scheme are included within investment income and are accounted for by reference to the period to which they relate.

Valuation and classification of investments

Investments are stated at fair value.

Bonds and equities quoted on a recognised stock exchange are stated at bid price ruling at the year end. Bonds are stated at their clean prices and accrued income is accounted for within investment income.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.

Exchange traded derivatives are stated at fair value determined using market quoted prices. For exchange traded derivative contracts which are assets, fair value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, fair value is based on quoted offer prices. Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the period end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering an equal and opposite contract at that date.

Swap contracts are valued taking into account future expected net cash flows discounted for the time value of money.

3. Summary of significant accounting policies (continued)

Futures contracts are stated at fair value and using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. A clearing broker is used by the Scheme to settle all market traded futures contracts. Amounts due from the broker represent the initial margin (reflecting collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and any unrealised gains and losses on open futures contracts.

Derivatives are held to hedge the Scheme's exposure to interest rate, inflation and foreign currency risks. Net receipts and payments on the derivative contracts are recognised as investment sales and purchases respectively, with a corresponding movement in change in market value reflecting the realised gain or loss on the contract. Any unrealised gain or losses on contracts which are open at the year-end are also recognised in the change in market value.

AVC investments are included at values provided by the AVC providers or on a cash roll forward basis if the valuations are not received.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on the sales of investments during the year.

Under repurchase agreements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

For reverse repo agreements, the Scheme does disclose the securities received as collateral in the financial statements. The cash delivered to the counterparty is recognised as a receivable in the financial statements.

Foreign currency conversion

Assets and liabilities in foreign currencies, including the effect of forward exchange contracts, are expressed in sterling at the rates of exchange ruling at the year end. Surpluses and deficits arising on conversion or translation are dealt with as part of realised and unrealised investment gains and losses. Other surpluses and deficits are dealt with as other receipts or payments as appropriate.

Annuity policies

The Trustee holds annuity policies with Friends Life that fund part of the benefits accruing in respect of certain members. The costs of these policies were charged to the fund account in the period of acquisition. These policies remain assets of the Trustee but have been considered immaterial to be included within the financial statements.

4. Comparative disclosures for the Fund Account and Statement of Net Assets

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Contributions and benefits					
Employer contributions	-	1,624	-	7,326	8,950
Employee contributions	-	-	-	36	36
Total contributions (5)	-	1,624	-	7,362	8,986
Transfers in (6)	-	657	-	182	839
Other income (7)	4	-	2	554	560
	4	2,281	2	8,098	10,385
Benefits paid (8)	(29,440)	(2,174)	(23,383)	(4,376)	(59,373)
Payments to and on account of leavers (9)	(8,540)	-	(3,386)	(13,012)	(24,938)
Administrative expenses (10)	(1)	-	(2)	-	(3)
	(37,981)	(2,174)	(26,771)	(17,388)	(84,314)
Net (withdrawals) / additions	(37,977)	107	(26,769)	(9,290)	(73,929)
Returns on investments					
Investment income (11)	18,689	2	14,699	-	33,390
Change in market value of investments (12)	35,496	3,734	(636)	24,623	63,217
Investment management expenses (13)	(1,902)	(151)	(1,292)	-	(3,345)
Net returns on investments	52,283	3,585	12,771	24,623	93,262
Net increase / (decrease) in the fund					
	14,306	3,692	(13,998)	15,333	19,333
Transfers between sections (15)	(1)	-	(61)	62	-
Opening net assets	1,120,679	43,693	650,471	268,016	2,082,859
Closing net assets	1,134,984	47,385	636,412	283,411	2,102,192

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Investment assets (12)					
Equities	86	-	-	-	86
Bonds	654,390	-	401,018	-	1,055,408
Pooled investment vehicles (16)	574,111	45,906	269,088	281,453	1,170,558
Derivatives (17)	40,516	-	10,893	-	51,409
AVC investments (18)	-	454	751	639	1,844
Cash and cash equivalents (19)	4,365	146	6,422	-	10,933
Other investment balances (20)	4,227	340	3,836	-	8,403
Amounts receivable under reverse repurchase agreements (20)	-	-	39,528	-	39,528
	1,277,695	46,846	731,536	282,092	2,338,169
Investment liabilities (12)					
Derivatives (17)	(148,525)	-	(10,281)	-	(158,806)
Cash and cash equivalents (19)	(1,529)	-	(3,723)	-	(5,252)
Other investment balances (20)	-	-	(327)	-	(327)
Amounts due under reverse repurchase agreements (20)	-	-	(83,640)	-	(83,640)
	(150,054)	-	(97,971)	-	(248,025)
Total investments	1,127,641	46,846	633,565	282,092	2,090,144
Current assets (26)	8,287	576	3,227	1,332	13,422
Current liabilities (27)	(944)	(37)	(380)	(13)	(1,374)
Total net assets available for benefits	1,134,984	47,385	636,412	283,411	2,102,192

5. Contributions

2022 Contribution Data	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Employer contributions					
Normal	-	-	-	3,353	3,353
Salary sacrifice	-	-	-	2,005	2,005
Bonus and redundancy sacrifice contributions	-	-	-	2,298	2,298
NI savings paid into member accounts	-	-	-	194	194
Sal. sacrifice - Additional voluntary contributions	-	-	-	663	663
Additional to cover expenses	-	22	-	-	22
Deficit funding	-	1,360	-	-	1,360
	-	1,382	-	8,513	9,895
Employee contributions					
Normal	-	-	-	12	12
Additional voluntary contributions	-	-	-	7	7
	-	-	-	19	19
	-	1,382	-	8,532	9,914

2021 Contribution Data	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Employer contributions					
Normal	-	-	-	3,352	3,352
Salary sacrifice	-	-	-	1,999	1,999
Bonus and redundancy sacrifice contributions	-	-	-	1,247	1,247
NI savings paid into member accounts	-	-	-	178	178
Sal. sacrifice - Additional voluntary contributions	-	-	-	550	550
Additional to cover expenses	-	264	-	-	264
Deficit funding	-	1,360	-	-	1,360
	-	1,624	-	7,326	8,950
Employee contributions					
Normal	-	-	-	21	21
Additional voluntary contributions	-	-	-	15	15
	-	-	-	36	36
	-	1,624	-	7,362	8,986

No future deficit funding contributions are due under the Group DB Section Schedules of Contributions, which were certified by the Actuary on 29 March 2019, 23 June 2020 and 18 February 2022. Following the valuation on 18 February 2022, the Trustee and Company agreed for contingent security to be provided by BASF SE in the form of an Underpin that will pay into the Scheme under certain circumstances.

To improve the Chemetall Section funding position, deficit funding contributions of £113,333 per month are being paid by Chemetall Limited until 31 October 2025.

6. Transfers in

2022 Transfer In Data	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Individual transfers in	-	-	-	215	215
	-	-	-	215	215

2021 Transfer In Data	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Individual transfers in	-	-	-	182	182
Group transfers in	-	657	-	-	657
	-	657	-	182	839

7. Other income

2022 Other income	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Claims on term insurance policies	-	-	-	306	306
Sundry income	52	-	-	-	52
Fees receivable	4	-	-	3	7
	56	-	-	309	365

2021 Other income	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Claims on term insurance policies	-	-	-	528	528
Sundry income	4	-	2	26	32
	4	-	2	554	560

8. Benefits paid

2022 Benefits paid	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Pensions	28,165	1,803	21,864	-	51,832
Commutation of pensions and lump sum retirement benefits	2,371	403	2,044	2,181	6,999
Purchase of annuities	-	-	-	431	431
Lump sum death benefits	43	8	13	1,154	1,218
Taxation where lifetime or annual allowance exceeded	-	-	-	27	27
	30,579	2,214	23,921	3,793	60,507

2021 Benefits paid	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Pensions	27,209	1,805	21,508	-	50,522
Commutation of pensions and lump sum retirement benefits	2,223	332	1,735	2,415	6,705
Purchase of annuities	-	-	-	172	172
Lump sum death benefits	8	37	140	1,782	1,967
Taxation where lifetime or annual allowance exceeded	-	-	-	7	7
	29,440	2,174	23,383	4,376	59,373

9. Payments to and on account of leavers

2022 Payments on account of leavers	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Individual transfers out	10,154	1,049	4,174	14,009	29,386
Group transfers out to other schemes	-	-	-	1,732	1,732
	10,154	1,049	4,174	15,741	31,118

2021 Payments on account of leavers	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Individual transfers out	8,540	-	3,386	13,012	24,938
	8,540	-	3,386	13,012	24,938

10. Administrative expenses

2022 Administrative expenses	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Other admin expenses	2	-	2	1	5
	2	-	2	1	5

2021 Administrative expenses	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Other admin expenses	1	-	2	-	3
	1	-	2	-	3

All other costs are borne by the principal employer.

11. Investment income

2022 Investment income	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Income from bonds	18,084	-	9,839	-	27,923
Dividends from equities	3	240	(170)	-	73
Income from pooled investment vehicles	4,123	-	2,990	-	7,113
Annuity income	5	-	32	-	37
Interest on cash deposits	5	-	3	1	9
Other investment income	-	-	3	-	3
	22,220	240	12,697	1	35,158

2021 Investment income	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Income from bonds	14,391	-	11,169	-	25,560
Dividends from equities	23	-	82	-	105
Income from pooled investment vehicles	4,270	-	3,411	-	7,681
Annuity income	5	2	32	-	39
Other investment income	-	-	5	-	5
	18,689	2	14,699	-	33,390

12. Reconciliation of investments

BPP DB Section	Value at 1 January 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2022
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Equities	86	-	-	18	104
Bonds	654,390	651,985	(386,498)	(242,220)	677,657
Pooled investment vehicles	574,111	955,100	(1,295,108)	(14,807)	219,296
Derivatives	(108,009)	143,837	(46,361)	(116,934)	(127,467)
	1,120,578	1,750,922	(1,727,967)	(373,943)	769,590
Cash and cash equivalents	2,836			(37)	2,823
Other investment balances	4,227			-	(42,856)
	1,127,641			(373,980)	729,557

Chemetall DB Section	Value at 1 January 2022	Purchases at cost	Sales proceeds	Change in market value	Value at 31 December 2022
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Pooled investment vehicles	45,906	48,983	(49,969)	(16,219)	28,701
AVC investments	454	-	(6)	73	521
	46,360	48,983	(49,975)	(16,146)	29,222
Cash and cash equivalents	146			-	6
Other investment balances	340			-	-
	46,846			(16,146)	29,228

Group DB Section	Value at 1 January 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2022
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Bonds	401,018	257,911	(172,501)	(112,236)	374,192
Pooled investment vehicles	269,088	272,418	(377,085)	(4,487)	159,934
Derivatives	612	35,996	(17,633)	(53,712)	(34,737)
AVC investments	751	-	(88)	100	763
	671,469	566,325	(567,307)	(170,335)	500,152
Cash and cash equivalents	2,699			(96)	4,278
Other investment balances	(40,603)			-	(60,185)
	633,565			(170,431)	444,245

Combined DC Sections	Value at 1 January 2022	Purchases at cost	Sales proceeds	Change in market value	Value at 31 December 2022
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Pooled investment vehicles	281,453	31,834	(42,987)	(24,367)	245,933
AVC investments	639	-	(278)	74	435
	282,092	31,834	(43,265)	(24,293)	246,368

Within the Combined Sections DC pooled investment vehicles totalling £245,933k (2021: £281,453k) are assets unallocated to members totalling £146k (2021: £156k).

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions, and stamp duty. In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

13. Investment management expenses

2022 Investment manager expenses	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Administration, management and custody	1,883	80	1,167	-	3,130

2021 Investment manager expenses	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Administration, management and custody	1,902	151	1,292	-	3,345

14. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

15. Transfers between sections

2022 Transfers between sections	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Transfers between sections	-	-	(77)	77	-

2021 Transfers between sections	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Transfers between sections	(1)	-	(61)	62	-

The transfers between sections from the Combined DC section relate to payments made from the relevant DB section where members had both DC and DB funds.

16. Pooled investment vehicles

2022 Pooled investment vehicles	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Equity	-	13,106	-	89,966	103,072
Bond	208,073	1,460	150,069	26,413	386,015
Diversified growth	-	-	-	110,505	110,505
LDI	-	13,132	-	-	13,132
Cash	11,223	1,003	9,865	19,049	41,140
	219,296	28,701	159,934	245,933	653,864

2021 Pooled investment vehicles	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Equity	158,948	18,799	-	98,842	276,589
Bond	359,652	12,257	266,175	36,255	674,339
Diversified growth	-	-	-	128,062	128,062
LDI	-	11,801	-	-	11,801
Property	-	2,049	-	-	2,049
Cash	55,511	1,000	2,913	18,294	77,718
	574,111	45,906	269,088	281,453	1,170,558

17. Derivatives

The Trustee authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as explained in the Trustee's report. At the year-end the Scheme had the following derivatives:

2022 Derivatives	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Derivative assets					
Futures	-	-	1	-	1
Swaps	85,413	-	21,933	-	107,346
Forward FX contracts	2,885	-	885	-	3,770
	88,298	-	22,819	-	111,117
Derivative liabilities					
Futures	(49)	-	-	-	(49)
Swaps	(215,682)	-	(57,532)	-	(273,214)
Forward FX contracts	(34)	-	(24)	-	(58)
	(215,765)	-	(57,556)	-	(273,321)
	(127,467)	-	(34,737)	-	(162,204)

2021 Derivatives	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Derivative assets					
Futures	339	-	-	-	339
Swaps	39,859	-	10,815	-	50,674
Forward FX contracts	318	-	78	-	396
	40,516	-	10,893	-	51,409
Derivative liabilities					
Futures	(4)	-	(4)	-	(8)
Swaps	(148,360)	-	(10,115)	-	(158,475)
Forward FX contracts	(161)	-	(162)	-	(323)
	(148,525)	-	(10,281)	-	(158,806)
	(108,009)	-	612	-	(107,397)

Objectives and policies

The investment managers have discretion over the investment of the Scheme's assets, subject to the restrictions set out in each Investment Management Agreement. Where permitted under their investment guidelines, the investment managers may invest in derivatives including futures, swaps, and options.

Futures

The Scheme had outstanding exchange traded futures at the year-end as follows:

BPP DB Section	No. of contracts	Economic exposure (£'000)	Expires	Asset value (£'000)	Liability value (£'000)
UK Fixed Interest Futures	1	749	3 months	-	(49)
Total 2022		749		-	(49)
Total 2021		(81,898)		339	(4)

Group DB Section	No. of contracts	Economic exposure (£'000)	Expires	Asset value (£'000)	Liability value (£'000)
Overseas Fixed Interest Futures	2	1,004	3 months	1	-
Total 2022		1,004		1	-
Total 2021		(997)		-	(4)

17. Derivatives (continued)

Swaps

The Scheme had outstanding derivative swap contracts at the year-end as follows:

BPP DB Section Nature	No. of contracts	Economic exposure (£'000)	Expires	Asset value (£'000)	Liability value (£'000)
Interest rate swaps	72	858,232	4-50 years	56,774	(188,633)
Inflation rate swaps	53	455,012	4-50 years	28,639	(16,455)
Asset swaps	1	28,160	40 years	-	(10,594)
Total 2022		1,341,404		85,413	(215,682)
Total 2021		1,635,678		39,859	(148,360)

Under the OTC interest rate swaps, the Scheme had pledged collateral in the form of bonds at the year-end amounting to £134.5m (2021: £124.7m) and counterparties had deposited collateral in the form of bonds and cash of £nil (2021: £7.9m) at the year-end. The collateral received is not reported within the Scheme's net assets

Group DB Section Nature	No. of contracts	Economic exposure (£'000)	Expires	Asset value (£'000)	Liability value (£'000)
Interest rate swaps	42	294,716	2-51 years	8,181	(56,181)
Inflation rate swaps	47	174,724	5-42 years	13,752	(1,351)
Total 2022		469,440		21,933	(57,532)
Total 2021		508,270		10,815	(10,115)

Under the OTC interest rate swaps, the Scheme had pledged collateral in the form of bonds and cash at the year-end amounting to £43.3m (2021: £0.5m) and £38.1m (2021: £nil) respectively and counterparties had deposited collateral in the form of cash of £nil (2021: £3.7m) at the year-end. The collateral received is not reported within the Scheme's net assets.

Forward FX contracts

The Scheme had open forward foreign exchange contracts at the year-end as follows:

BPP DB Section Settlement Date	No. of contracts	Currency bought	Currency sold	Asset value (£'000)	Liability value (£'000)
January 2023 to February 2023	2	GBP 1,551	EUR 1,767	-	(19)
January 2023 to February 2023	13	GBP 55,964	USD 63,903	2,883	(14)
February 2023	2	USD 230	GBP 190	2	(1)
Total 2022	17			2,885	(34)
Total 2021				318	(161)

Group DB Section Settlement Date	No. of contracts	Currency bought	Currency sold	Asset value (£'000)	Liability value (£'000)
January 2023 to February 2023	2	GBP 1,691	EUR 1,926	-	(19)
January 2023 to February 2023	7	GBP 16,248	USD 18,497	884	(5)
January 2023 to February 2023	1	USD 101	GBP 83	1	-
Total 2022	10			885	(24)
Total 2021				78	(162)

18. AVC investments

2022 AVC investments	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Utmost Life (Formerly The Equitable Life Assurance Society)	-	-	-	3	3
Prudential Assurance Company Limited	-	521	763	432	1,716
	-	521	763	435	1,719

2021 AVC investments	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Utmost Life (Formerly The Equitable Life Assurance Society)	-	-	-	3	3
Prudential Assurance Company Limited	-	454	751	636	1,841
	-	454	751	639	1,844

AVC investments are either invested with the above AVC managers or in the main fund within the Scottish Widows DC funds. These policies secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the year. AVC investments held within the Scottish Widows DC funds as at 31 December 2022, amounted to £13,636,051 (2021: £15,710,508). AVC investments invested with the other AVC managers are shown above.

19. Cash and cash equivalents

2022 Cash and cash equivalents	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Cash assets					
Sterling	3,958	6	5,599	-	9,563
Foreign currency	28	-	45	-	73
Margin accounts	877	-	3,769	-	4,646
	4,863	6	9,413	-	14,282
Cash liabilities					
Sterling	(433)	-	(1,767)	-	(2,200)
Margin accounts	(1,607)	-	(3,368)	-	(4,975)
	(2,040)	-	(5,135)	-	(7,175)
	2,823	6	4,278	-	7,107

2021 Cash and cash equivalents	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Cash assets					
Sterling	2,376	146	2,622	-	5,144
Foreign currency	22	-	24	-	46
Margin accounts	1,967	-	3,776	-	5,743
	4,365	146	6,422	-	10,933
Cash liabilities					
Sterling	-	-	(367)	-	(367)
Margin accounts	(1,529)	-	(3,356)	-	(4,885)
	(1,529)	-	(3,723)	-	(5,252)
	2,836	146	2,699	-	5,681

20. Other investment balances

2022 Other investment balances	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
Other investment balances assets					
Accrued income	6,235	-	3,890	-	10,125
Other receivables	143	-	150	-	293
Insurance policies	12	-	-	-	12
Amount receivable under reverse repurchase agreements	21,323	-	-	-	21,323
	27,713	-	4,040	-	31,753
Other investment balances liabilities					
Amount payable in respect of repurchase agreements	(70,569)	-	(63,898)	-	(134,467)
Other investment balances	-	-	(327)	-	(327)
	(70,569)	-	(64,225)	-	(134,794)
	(42,856)	-	(60,185)	-	(103,041)

2021 Other investment balances	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2021 (£'000)
Other investment balances assets					
Accrued income	4,215	-	3,560	-	7,775
Other receivables	1	340	276	-	617
Insurance policies	11	-	-	-	11
Amount receivable under reverse repurchase agreements	-	-	39,528	-	39,528
	4,227	340	43,364	-	47,931
Other investment balances liabilities					
Amount payable in respect of repurchase agreements	-	-	(83,640)	-	(83,640)
Other investment balances	-	-	(327)	-	(327)
	-	-	(83,967)	-	(83,967)
	4,227	340	(40,603)	-	(36,036)

As at 31 December 2022 £100.9m (2021: £46.6m) of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

21. Defined contribution assets

Investments purchased are allocated to provide benefits to the individuals on whose behalf the contributions are paid. The market value of the pooled investment vehicles above can be analysed by section below:

2022 Defined Contribution assets	BPP DC Section (£'000)	Group DC Section (£'000)	Total 2022 (£'000)
Members' normal investments	36,937	195,214	232,151
Members' AVC investments	4,704	8,932	13,636
Trustee unallocated account	126	20	146
	41,767	204,166	245,933
2021 Defined Contribution assets	BPP DC Section (£'000)	Group DC Section (£'000)	Total 2021 (£'000)
Members' normal investments	42,573	223,013	265,586
Members' AVC investments	5,803	9,908	15,711
Trustee unallocated account	136	20	156
	48,512	232,941	281,453

22. Fair value determination

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted, and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 December 2021 or 31 December 2022.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

2022 Fair value determination	Level 1 (£'000)	Level 2 (£'000)	Level 3 (£'000)	Total 2022 (£'000)
BPP DB Section				
Equities	104	-	-	104
Bonds	-	677,657	-	677,657
Pooled investment vehicles	-	122,504	96,792	219,296
Derivatives	(49)	(127,418)	-	(127,467)
Cash and cash equivalents	2,823	-	-	2,823
Other investment balances	-	6,378	12	6,390
Repurchase and reverse repurchase agreements	-	(49,246)	-	(49,246)
	2,878	629,875	96,804	729,557
Chemetall Section				
Pooled investment vehicles	-	28,701	-	28,701
AVC investments	-	45	476	521
Cash and cash equivalents	6	-	-	6
	6	28,746	476	29,228
Group DB Section				
Bonds	-	374,192	-	374,192
Pooled investment vehicles	-	117,596	42,338	159,934
Derivatives	1	(34,738)	-	(34,737)
AVC investments	-	15	748	763
Cash and cash equivalents	4,278	-	-	4,278
Other investment balances	-	3,713	-	3,713
Repurchase and reverse repurchase agreements	-	(63,898)	-	(63,898)
	4,279	396,880	43,086	444,245
Combined DC Sections				
Pooled investment vehicles	-	245,933	-	245,933
AVC investments	-	-	435	435
	-	245,933	435	246,368
	7,163	1,301,434	140,801	1,449,398

22. Fair value determination (continued)

2021 Fair value determination	Level 1 (£'000)	Level 2 (£'000)	Level 3 (£'000)	Total 2021 (£'000)
BPP DB Section				
Equities	86	-	-	86
Bonds	-	654,390	-	654,390
Pooled investment vehicles	-	473,341	100,770	574,111
Derivatives	335	(108,344)	-	(108,009)
Cash and cash equivalents	2,836	-	-	2,836
Other investment balances	-	4,216	11	4,227
	<u>3,257</u>	<u>1,023,603</u>	<u>100,781</u>	<u>1,127,641</u>
Chemetall Section				
Pooled investment vehicles	-	45,906	-	45,906
AVC investments	-	55	399	454
Cash and cash equivalents	146	-	-	146
Other investment balances	340	-	-	340
	<u>486</u>	<u>45,961</u>	<u>399</u>	<u>46,846</u>
Group DB Section				
Bonds	-	401,018	-	401,018
Pooled investment vehicles	-	218,684	50,404	269,088
Derivatives	(4)	616	-	612
AVC investments	-	14	737	751
Cash and cash equivalents	2,699	-	-	2,699
Other investment balances	-	3,509	-	3,509
Repurchase and reverse repurchase agreements	-	(44,112)	-	(44,112)
	<u>2,695</u>	<u>579,729</u>	<u>51,141</u>	<u>633,565</u>
Combined DC Sections				
Pooled investment vehicles	-	281,453	-	281,453
AVC investments	-	-	639	639
	<u>-</u>	<u>281,453</u>	<u>639</u>	<u>282,092</u>
	<u>6,438</u>	<u>1,930,746</u>	<u>152,960</u>	<u>2,090,144</u>

23. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed. These risks are set out by FRS 102 as follows:

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk

This is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, each of which is further detailed as follows:

- **Currency risk:** Fair value/future cashflows of a financial asset fluctuate due to foreign exchange rates
- **Interest rate and inflation rate risk:** Fair value/future cashflows of a financial asset fluctuate due to market interest rates or expected inflation rates
- **Other price risk:** Fair value or future cashflows of a financial asset fluctuate due to market prices (other than those above), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market

The Trustee determined the investment strategy after obtaining advice from its investment adviser. The Scheme has exposure to the above risks due to investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the investment objectives and strategy, and the advice of its investment advisers.

23. Investment risk disclosures (continued)

Within each portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

The following tables summarise the extent to which the various classes of investments are affected by financial risks (as shown by an **x**):

BPP DB Section	Credit risk	Currency	Interest rate	Other price	2022 (£'000)	2021 (£'000)
Equities		x		x	104	86
Bonds	x	x	x	x	677,657	654,390
Pooled Investment Vehicles					219,296	574,111
▪ Direct	x	x	x	x		
▪ Indirect	x	x	x	x		
Derivatives	x	x	x	x	(127,467)	(108,009)
Other Investment balances	x		x		6,390	4,227
Repurchase & reverse repurchase agreements	x		x		(49,246)	-
Cash and cash equivalents	x	x			2,823	2,836
Total investments					729,557	1,127,641

Chemetall Section	Credit risk	Currency	Interest rate	Other price	2022 (£'000)	2021 (£'000)
Pooled Investment Vehicles					28,701	45,906
▪ Direct	x	x	x	x		
▪ Indirect	x	x	x	x		
Other Investment balances	x		x		-	340
AVC Investments	x	x	x	x	521	454
Cash and cash equivalents	x	x			6	146
Total investments					29,228	46,846

Group DB Section	Credit risk	Currency	Interest rate	Other price	2022 (£'000)	2021 (£'000)
Bonds	x	x	x	x	374,192	401,018
Pooled Investment Vehicles					159,934	269,088
▪ Direct	x	x	x	x		
▪ Indirect	x	x	x	x		
Derivatives	x	x	x	x	(34,737)	612
Other Investment balances	x		x		3,713	3,509
Repurchase & reverse repurchase agreements	x		x		(63,898)	(44,112)
AVC Investments	x	x	x	x	763	751
Cash and cash equivalents	x	x			4,278	2,699
Total investments					444,245	633,565

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the investment consultants, decides on the overall allocation of assets and selects the appropriate managers within each asset class.

The Trustee's long-term strategic target is to achieve full funding on a Gilts +0.25% per annum basis. Having considered the maturity, cash flow profiles, funding levels, and covenant of the Employer, the Trustee aims to achieve this target by 31 December 2031 for the BPP and Chemetall Sections, and 31 December 2026 for the Group Section.

The investment strategy is made up of a liability hedging strategy and credit investments, some of which are in run-off. The strategy is based around generating sufficient investment returns to meet the long-term strategic target by the respective target date, as set out above.

23. Investment risk disclosures (continued)

There is no formal rebalancing policy. The Trustee monitors the asset allocation from time to time. If material deviations between the allocations occur, the Trustee considers with its advisers whether it is appropriate to rebalance the assets.

The Trustee regularly reviews the investment strategy and asset allocation to ensure an appropriate balance between risk and return. The investment strategy of the Scheme will be formally reviewed at least every three years, during the triennial actuarial valuation, and will normally be reviewed annually. The investment strategy will also be reviewed in response to any material changes with respect to the Scheme.

The current strategic allocation is shown below:

Investment Type	Strategic allocation (%)		
	BPP Section	Chemetall Section	Group Section
Global Multi-Factor Climate-Tilted Equity	7.0	-	-
Global Infrastructure	5.0	-	-
Private Credit	10.0	-	5.0
Insight Buy and Maintain Credit	15.0	6.0	21.0
RLAM Buy and Maintain Credit	15.0	-	21.0
LDI (including ABS)	48.0	54.0	53.0
LGIM Future World Fund	-	20.0	-
LGIM Future World Fund – GBP Hedged	-	20.0	-
Total	100.0	100.0	100.0

Direct Credit risk

The Scheme is subject to credit risk through its investment in pooled investment vehicles and sole investor arrangements in bonds, over-the-counter (OTC) derivatives and cash balances. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds.

As at 31 December 2022 100% (2021: BPP Section: 86%; Group Section: 100%) of assets were invested in funds or securities that are significantly exposed to credit risk. The Chemetall Section's pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ringfenced from the assets of the custodian and investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the investments.

The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds.

The role of a custodian is to ensure the safekeeping of the assets and facilitate all transactions entered by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safekeeping, monitoring and reconciliation of documentation relating to these securities.

A summary of pooled investment vehicles by type of arrangement is as follows:

2022	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Total 2022 (£'000)
Open ended investment companies	122,504	4,946	117,596	245,046
Shares in limited partnerships	96,792	-	42,338	139,130
Unit-linked life insurance policy	-	13,105	-	13,105
Irish ICAV	-	10,650	-	10,650
	219,296	28,701	159,934	407,931

23. Investment risk disclosures (continued)

2021	BPP DB Section (£'000)	Chemetail Section (£'000)	Group DB Section (£'000)	Total 2022 (£'000)
Unit linked insurance contracts	158,948	-	-	158,948
Open ended investment companies	314,393	45,906	218,684	578,983
Shares in limited partnerships	100,770	-	50,404	151,174
	574,111	45,906	269,088	889,105

A summary of exposures to credit risk is given in the following table:

DB investments exposed to credit risk	BPP DB Section		Group DB Section	
	2022 (£'000)	2021 (£'000)	2022 (£'000)	2021 (£'000)
Bonds	677,657	654,390	374,192	401,018
Derivatives - assets	88,298	40,516	22,819	10,893
Derivatives - liabilities	(215,765)	(148,525)	(57,556)	(10,281)
Amounts receivable in respect of repurchase agreements	-	-	-	39,528
Amounts payable in respect of repurchase agreements	(49,246)	-	(63,898)	(83,640)
Cash and cash equivalents	3,552	2,398	3,877	2,279
Other investment balances	(729)	438	401	420
	503,767	549,217	279,835	360,217

Indirect credit risk – Bonds

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from:

BPP Section	Chemetail Section	Group Section
Barings Global Private Loan Fund II	Insight Buy & Maintain Bond Fund	Barings Global Private Loans Fund II
Barings Global Private Loan Fund III	Insight High Grade ABS Fund	Barings Global Private Loan Fund III
ICG Senior Debt Partners Fund III	Insight LDI (Nominal Fund)	Insight High Grade ABS Fund
ICG Senior Debt Partners Fund IV	Insight LDI (Real Fund)	
Insight High Grade ABS Fund	Insight LDI (Shorter Nominal Fund)	
	Insight LDI (Shorter Real Fund)	

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

Indirect credit risk – Derivatives and repurchase agreements

There is exposure to credit risk as the LDI portfolio manager uses derivative instruments and repurchase agreements to match liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily to limit credit risk to one day's market movements.

Currency risk

Liabilities are denominated in Sterling; any non-Sterling currency exposure presents additional currency risk. Whilst most of the currency exposure of assets is Sterling, currency risk exists as some of the investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure diversifies the strategy and is appropriate.

All pooled funds are accessed via a Sterling share class and the Scheme is not subject to direct currency risk. As assets are only invested in Sterling investments, Sterling hedged overseas investments or mandates with minimal exposure to overseas investments, the Scheme has negligible exposure to indirect currency risk.

23. Investment risk disclosures (continued)

At 31 December 2022 the following proportions of assets (by Section) were invested in funds or securities that are significantly exposed to currency risk.

- **BPP Section:** approximately 72% (2021: 46%)
- **Chemetall Section:** approximately 23% (2021: not rated)
- **Group Section:** 0% (2021: 0%)

The net currency exposure at the current and previous year-ends was:

BPP Section	Direct exposure (£'000)	Indirect exposure (£'000)	Hedging (£'000)	2022 Net exposure after hedging (£'000)	2021 Net exposure after hedging (£'000)
Pound sterling (GBP)	673,567	(46,886)	57,325	684,006	1,075,086
Japanese Yen (JPY)	22	-	-	22	22
US dollars (USD)	52,193	-	(52,904)	(711)	142
Euros (EUR)	1,714	-	(1,570)	144	94
Other currencies	5,394	46,886	-	52,280	58,034
Total	732,890	-	2,851	735,741	1,133,378
<i>Unhedged foreign currency exposure</i>				7.03%	5.14%

Group Section	Direct exposure (£'000)	Indirect exposure (£'000)	Hedging (£'000)	2022 Net exposure after hedging (£'000)	2021 Net exposure after hedging (£'000)
Pound sterling (GBP)	357,647	(19,598)	17,856	355,905	558,029
Japanese Yen (JPY)	20	-	-	20	21
US dollars (USD)	15,337	-	(15,285)	52	1,990
Euros (EUR)	1,813	-	(1,710)	103	182
Other currencies	3,007	19,598	-	22,605	31,072
Total	377,824	-	861	378,685	591,294
<i>Unhedged foreign currency exposure</i>				6.02%	5.63%

Interest rate and inflation rate risk

Material risks from interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some assets are subject to interest rate risk (nominal & real interest rates). However, the overall interest rate exposure of the assets hedges part of the corresponding risks associated with the liabilities. The net effect will be to reduce the volatility of the funding level, and the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner. The material exposure to changes in interest rates are the insight Buy & Maintain Credit, RLAM Buy & Maintain Credit and Insight LDI mandates.

At 31 December 2022 the following proportions of assets (by Section) were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

- **BPP Section:** approximately 72% (2021: 54%)
- **Chemetall Section:** approximately 42% (2021: not rated)
- **Group Section:** 66% (2021: 58%)

Other price risk

Assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices. The Trustee monitors this risk on a regular basis, looking at the performance of each individual portfolio. The Trustee believes that assets are adequately diversified between different asset classes and within each asset class to manage this risk.

At 31 December 2022 the following proportions of assets (by Section) were invested in funds or securities that are significantly exposed to other price risk.

- **BPP Section:** approximately 15% (2021: 37%)
- **Chemetall Section:** approximately 54% (2021: not rated)
- **Group Section:** 24% (2021: 34%)

23. Investment risk disclosures (continued)

Combined DC Sections

The main priority of the Trustee when considering the investment policy for the Defined Contribution (DC) Section is to make available investment funds which serve to meet the varying investment needs and risk tolerances of the members. The Statement of Investment Principles outlines the investment objectives and strategy and can be accessed at [Group DC & BPP DC Sections](#).

The investment funds offered to members are white label funds provided through an investment platform maintained by Scottish Widows as follows:

- Moderate
- Adventurous
- Cautious
- Ethical
- HSBC Islamic
- Pre-Retirement Annuity
- Sterling Liquidity

The Trustee has an agreement in place with Scottish Widows Limited (“Scottish Widows”) that sets out guidelines for the underlying investments held by the white label funds. The day-to-day management of the investment arrangements is the responsibility of Scottish Widows and the underlying fund managers, including the direct management of credit and market risks. The Trustee monitors the underlying risks by quarterly investment reviews.

Credit risk

The DC Section is subject to direct credit risk through its holding in unit linked insurance funds. Scottish Widows is regulated by the FCA and the PRA and maintains separate funds for its policyholders.

The Trustee monitors the creditworthiness of Scottish Widows by reviewing its “Security of Assets” report, which includes published credit ratings. Scottish Widows invests all funds in its own investment unit linked funds. In the event of default by Scottish Widows, the Scheme is protected by the Financial Services Compensation Scheme (FSCS) and may be able to make a claim for at least 90% of its policy value on claims relating to such events prior to 3 July 2015, and 100% of its policy value on claims relating to insolvency events on or after 3 July 2015, although noting that compensation is not guaranteed.

The DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the white label funds. As members may choose their own investments from the range of funds offered by the Trustee, it should be noted that member level risk exposures will be dependent on the funds invested in.

At the Scheme year end, the Moderate, Cautious, Pre-Retirement Annuity and Sterling Liquidity funds were exposed to underlying credit risk.

Market risk

The DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Scottish Widows as follows:

Fund	Exposed to>>>	Currency risk	Interest rate risk	Other price risk
Moderate		x	x	x
Adventurous		x		x
Cautious		x	x	x
Ethical		x		x
HSBC Islamic		x		x
Pre-Retirement Annuity			x	x
Sterling Liquidity			x	x

The Trustee has selected funds and considered the risks in the context of the investment strategy described here and in the SIP.

24. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Scheme:

	2022 (£'000)	2022 (%)	2021 (£'000)	2021 (%)
DB Sections				
Insight High Grade ABS Fund Open-End Fund GBP	219,013	14.9%	474,653	22.6
Legal & General Future World Fund – GBP Hedged	NA	NA	79,666	3.8
Legal & General Future World Fund	NA	NA	79,281	3.8
Combined DC				
Moderate for BASF Fund	97,389	6.6%	113,982	5.4

25. Employer related investments

As at 31 December 2022 none (2021: none) of the investment managers had any direct exposure to BASF holdings (Equities or Bonds). There was no indirect exposure to BASF SE, the parent of BASF plc (2021: 0%) through units held in the Legal & General Future World Fund.

The funds held within the DC Section are held in Life Fund wrappers. Our understanding is that these structures fall outside the scope of regulations for direct holdings of employer related investments.

26. Current assets

2022	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Unallocated DC Section (£'000)	Total (£'000)
Employer contributions due	-	113	-	-	-	113
Amounts due from other sections	1,759	-	72	265	-	2,096
Prepaid pensions	-	120	1,570	-	-	1,690
Cash in transit	-	-	-	616	-	616
Cash balances	10,625	220	5,953	1,471	232	18,501
Bank interest	-	-	-	1	-	1
	12,384	453	7,595	2,353	232	23,017

2021	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Unallocated DC Section (£'000)	Total (£'000)
Employer contributions due	-	135	-	-	-	135
Amounts due from/to other sections	1,725	-	(1,613)	(112)	-	-
Prepaid pensions	2	123	1,537	-	-	1,662
Cash in transit	-	-	-	509	-	509
Cash balances	6,560	318	3,303	707	228	11,116
	8,287	576	3,227	1,104	228	13,422

27. Current liabilities

2022	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total (£'000)
Contributions received in advance	-	148	-	-	148
Unpaid benefits	462	5	258	175	900
Accrued expenses	487	10	356	-	853
Funds received in advance	109	-	73	-	182
Other creditors	-	-	2	-	2
Amounts due to other sections	221	-	1,814	61	2,096
	1,279	163	2,503	236	4,181

2021	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total (£'000)
Unpaid benefits	476	-	22	13	511
Accrued expenses	385	37	284	-	706
Funds received in advance	83	-	70	-	153
Other creditors	-	-	4	-	4
	944	37	380	13	1,374

28. Related party transactions

The Scheme has received contributions in respect of three (2021: four) Trustee Directors who are contributing members of the Scheme and has paid benefits for three Trustee Directors during the year (2021: two).

All transactions were made in accordance with the Scheme Rules.

All administrative expenses, including fees paid to the independent Trustee and Trustee Directors, are borne by the principal employer, and are not reflected in these financial statements. Fees paid to the independent Trustee and Trustee Directors during the year amounted to £147,917 (2021: £101,255).

29. Contingencies and commitments

The Scheme has outstanding investment capital commitments in relation to the private credit funds managed by Barings and ICG. Commitments contracted for the year end but not recognised as liabilities amount to £30,265k (2021: £39,790k) in the BPP DB Section and £5,487k (2021: £5,987k) in the Group DB Section.

In the opinion of the Trustee, there were no other capital commitments or contingent liabilities as at 31 December 2022 (31 December 2021 - £Nil).

30. GMP Equalisation

In October 2018, the High Court determined that pension schemes are required to equalise benefits between men and women for the effect of guaranteed minimum pensions (GMP) which were accrued between 17 May 1990 and 5 April 1997. In November 2020, a further ruling by the High Court determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 5 April 1997 between men and women. The Trustee has reviewed, with their advisers, the implication of these rulings on the Scheme in the context of the rules of the Scheme and consider the total liability to be immaterial to the financial statements.

31. Geopolitical and other matters

Since March 2020, Covid-19 has had an ongoing impact on domestic and global economies, with disruption and volatility in financial markets. Recent geopolitical events, including Ukraine, have also impacted financial markets. The Trustee, in conjunction with its advisers, monitor the situation closely and determines any actions that may be necessary. This includes monitoring the investment portfolio, operational impact, and the covenant of the Employer. The extent of the impact on the investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

Implementation Statement

Executive Summary

The 2022 Implementation Statement sets out how the Trustee has followed its Statement of Investment Principles (“SIP”) during the year, including voting and engagement policies, as well as details of any review of the SIP during the year.

The BPP DB Section has been de-risked in the period by fully redeeming investment in equity funds and investing proceedings partially in to Buy & Maintain credit and ABS portfolios. The Trustee also decided to increase interest rate and inflation hedging to 96% of the liabilities. The Trustees also decided to increase the level of interest rate and inflation hedging to 100%.

For the Chemetall Section, the Trustee decided to change the fiduciary management model to an investment advisory model. As a result, all assets were redeemed from the funds invested by SEI and proceeds were invested according to the new Strategic Asset Allocation and with investment managers selected by the Investment Committee.

There were no changes to the Defined Contribution investment strategy during the period covered by this Statement. The Trustee continue to assess the performance of the Scheme's investments and appointed asset managers, and it has revised the formal objectives for its investment adviser on a quarterly basis.

The Trustee has set their stewardship priorities as follows:

- 1) Climate change
- 2) Business ethics & transparency
- 3) Diversity, equity, and inclusion

The Trustee has communicated to the managers and monitored their voting and engagement policies according to these priorities.

Introduction to the Scheme

The Trustee is required to produce a yearly statement (“Statement”) to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the year. This includes voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) and state any use of the services of a proxy voter during that year.

This Statement should be read in conjunction with the SIP which can be accessed on the [Pension Website](#).

Review of the SIP

The Trustee reviews each SIP regularly, although changes are not always required. The latest review date of each SIP is detailed below:

SIP	Last Updated
DC Sections	September 2020
DB Sections	December 2022

SIP policy assessments during the year (DC Sections)

Investment and Legal Compliance

The SIP confirms the Trustee's policy to take professional advice from a suitably qualified DC Investment Adviser. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustee did not make any changes to the investment strategy during the period covered by this Statement.

Investments held and investment balance

The SIP documents the types of investment used within the Scheme and the asset allocation of each investment fund (including the lifestyling arrangements for LifePlan strategies). The Appendix also lists the investment types held.

The default investment option is reviewed at least triennially. The Trustee, through the DC Committee, commenced a strategic review of the default investment strategy in 2021, which continued into 2022. Full details are provided in the Chair's Statement. In summary, the review resulted in decisions being taken to change some of the underlying investment managers used in the risk profiled funds. These changes were not implemented until after the year covered by this Statement. No changes to the SIP were required as the overall asset allocation by investment type did not change.

Regulated investment advice was provided to the DC Committee on the new investment manager selections, which were implemented following the Scheme year end in January 2023.

Risk and return

The Trustee considers risk from multiple perspectives as set out in the SIP (the list of risks labelled from 'a' to 'i' summarises the key risks, along with mitigations and measurement steps put in place by the Trustee).

Where the SIP relates to expected/target returns: "The Trustee reviews the absolute performance, relative performance against a suitable benchmark, and against each fund's stated target performance (over the relevant time period)." The targeted levels of performance are documented in the Appendix to the SIP.

The Trustee reviewed the measurement of key investment risks on a quarterly basis during the year as part of regular investment reporting. These quarterly reports were provided by the DC Investment Adviser. DC risks on the risk register were a standing item at DC Committee meetings during the year with risks considered at each meeting.

A key area of focus during the year related to risk "*The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee*". To mitigate this risk, the DC Committee carried out a review of the Diversified Growth Fund managers and met with potential alternative investment managers for these funds. This resulted in changes to the investment managers being implemented within some of the risk profiled funds following year-end. There was no change to the strategic asset allocation of the funds.

Realisation of investments

The SIP notes '*The investment manager has responsibility for buying and selling the underlying assets. All pooled funds used are daily dealt*'.

No changes to the liquidity of the funds used by the Scheme were experienced during the year. The Scheme does not invest directly in property or other illiquid assets.

Financial and non-financial considerations

The SIP covers these matters. The risks identified in the SIP are considered by the Trustees to be financially material considerations.

As stated in the SIP, members' views will be considered in relation to financial and non-financial matters. In the context of non-financial considerations, an Ethical Fund is available for members to invest in which invests according to defined ethical guidelines, including non-financially material matters. An Islamic Global Equity Fund is also available for members, which invests according to Shariah principles (Islamic law as revealed in the Qur'an). There were no updates to this policy during the year, but the risks identified and how they are measured, and managed formed part of the investment monitoring conducted during the year, as noted above.

Exercise of rights (including voting rights)

Further details on voting rights and engagement activities are set out in the voting section of this Statement.

Investment strategy & decisions with Trustee policies

There were no changes to policy during the year.

Asset manager decision making

There were no changes to policy during the year.

The DC Committee met with potential alternative Diversified Growth Fund managers at a meeting held on 3 October 2022 and exercised the Trustee's policy as stated in the SIP (*"In selecting investment managers the Trustee takes into account the requirements of each mandate and its investment guidelines. The investment managers are selected based on their capabilities and suitability as regards meeting the Scheme's objectives. These selections are therefore also based on the managers' perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for"*).

Asset manager performance evaluation

In line with the policies documented in the SIP, the Trustee has reviewed both short term and longer-term investment performance through quarterly investment reports.

The DC Investment Adviser supports the Trustee with an annual assessment of the extent to which the Scheme provides value for members. This assessment includes benchmarking the investment management fees paid by members of the Scheme. During the Scheme year, this annual benchmarking was undertaken and discussed at the DC Committee meeting held on 22 April 2022.

Portfolio monitoring

This relates to how the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range. The SIP refers to this topic, and there were no policy changes during the year. Transaction costs were included in the annual value for members assessment.

The Trustee will continue to monitor transaction costs on an annual basis but has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of such activities.

Asset manager arrangement duration

There were no changes to policy during the year.

SIP policy assessments during the year (DB Sections)

Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring and trigger monitoring reports. The Trustee is also able to view the progress on an ongoing basis using an online tracker provided by the Investment Consultant. As the date of this Statement, the Scheme was on track to achieve full funding on a Gilts+0.25% per annum, based the respective section target dates.

Investment strategy

The Trustee monitors the asset allocation quarterly and compares this to the strategic asset allocation. As consequence of Group and BPP being fully de-risked over the last years, the Trustee decided to remove de-risking triggers for these sections. Chemetall has a set of de-/re-risking triggers in place, which helps monitoring the progress against its long-term journey plan. The de-/re-risking triggers are monitored daily by the Asset Manager using LCP Visualise and reviewed by the Investment Committee regularly. If one of the triggers is breached, the Trustee would consider the appropriateness of the proposed de-/re-risking action before it is implemented.

The BPP Section's de-risking trigger was hit in April 2022, as funding level was improved due to the rise in gilts yields, leading to a reduction in discounted liabilities. The Trustee decided to de-risk its investment strategy by fully redeeming investment in equity funds and investing proceedings partially in to Buy & Maintain credit and ABS portfolios. The Trustee also decided to increase interest rate and inflation hedging to 96% of the liabilities.

The Group Section reached 100% funding on gilts+0.25% basis. The Trustees decided to increase the level of interest rate and inflation hedging to 100%.

For the Chemetall section, following the merger of this section into the Scheme, the Trustee decided in February 2022 to change the fiduciary management model to an investment advisory model. This change would make use of synergies and simplified governance in line with the other sections. All assets were redeemed from the funds invested by SEI and the proceeds were invested in an Equity fund with LGIM (40%), Buy & Maintain credit fund (6%) with Insight, ABS fund with Insight (9%) and LDI funds also managed by Insight (45%). The transition of assets was finalised in December 2022.

Implementation of the investment arrangements

In 2022, given the further improvement of funding level for all Sections, the Trustee focused in implementing de-risking measures already described in the previous section of this statement. For BPP, all reinvestments were done with fund managers that already have a mandate in place with the Scheme. For Chemetall, new mandates had to be set up with LGIM and Insight.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using the quarterly performance monitoring report. The Trustee kept using a traffic light system to monitor the asset managers. The most recent quarterly report shows that there are no urgent concerns over the funds used. The Trustee regularly invites the Scheme's investment managers to present at Trustee meetings, seeing each manager at least once every two years.

As result of de-risking measures implemented in 2022, the Trustee terminated the mandate with LGIM for the BPP section. For the Chemetall section, all mandates previously used by SEI were terminated, and new mandates were set up with LGIM and Insight.

Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a quarterly basis. Additionally, on a weekly basis, the Trustee receives the cash balances from the Scheme Administrator, to ensure there is enough fund to finance expected expenses. The Trustee policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The investment managers have discretion over the timing of realisation of investments of the Scheme and this has continued over the year. The Trustee receives income from their Buy & Maintain and Private Credit portfolios, which is retained in the Trustee bank account and used towards paying benefit payments.

Following the established investment cashflow forecast, the Trustee decide, with support from its investment advisor, what disinvestments shall be done to meet the Scheme's cash flow requirements. In 2022, funds were taken from the LDI portfolio due to the liquid nature of the mandate and the fact that capital can be released without affecting the level of hedging exposure provided.

Risk policy

Risks are monitored on an ongoing basis with the support from the Investment Adviser. The Trustee maintains a risk register, which is reviewed regularly in view of new risks and changes and presented as part of the documents for each Trustee meeting.

The strength of the employer's covenant is assessed bi-annually and additionally in response to certain events, such as the divestitures and other structural changes.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based on advice from the Investment Adviser or information provided to the Trustee by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

Regarding the risk of inadequate returns, the required return to achieve the Scheme's long-term funding target is assessed on an ongoing basis, as well as the hedging of interest rate and inflation risks.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviews the Scheme's funding position following preparation of the Scheme Actuary's annual report, to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position following preparation of the triennial actuarial valuation, which allows for membership and other experience. The Trustee also informally monitors the funding position more regularly, at Investment Committees and Trustee meetings and the Trustee can also monitor this daily.

Investment Governance (DC Sections)

The Trustee delegates certain matters relating to the DC Section to its DC Committee. The Trustee has agreed appropriate terms of reference for the DC Committee, which meets at least three times per year to consider matters relating to the DC Section. During the Scheme year covered by this Statement, the DC Committee met four times. The DC Committee reports after each meeting to the Trustee Board.

The DC Committee is supported by an independent DC Investment Adviser, who also covers wider DC matters and governance, and attends meetings of the DC Committee. The Trustee's legal adviser also provides support and attend meetings of the Trustee Board and / or the DC Committee when required. Day-to-day support to the DC Committee is provided by the In-House Pension Team.

The DC Committee meets with investment managers and investment platform provider when necessary. In years where there are no investment performance issues and the DC Committee has other strategic and governance priorities, investment manager meetings would not be considered essential. This is to ensure that governance activity is focused on the right areas to drive good outcomes for members, rather than having a fixed schedule approach.

Investment benchmarks and targets have been put in place for each investment manager, and performance is monitored on a quarterly basis against these measures. Service Level Agreements (SLAs) have also been established with the investment platform provider relating to operational performance. The SLAs cover investment transaction contract notes, queries, and maintenance of a microsite hosting fund information.

Investment Governance (DB Sections)

The Trustee assesses the performance of Scheme investments and appointed asset managers on an ongoing basis as part of the quarterly monitoring reports it receives. The Trustee has agreed formal objectives for its Investment Adviser and reviews performance against these objectives on a quarterly basis.

The Trustee regularly reviews the Terms of Reference of the Investment Committee, to reflect the latest personnel changes, the Underpin granted by BASF SE and the associated consultation process as well as the extension of the de-risking framework by the re-risking and hedging activities.

Non-Financial Matters (DC Sections)

As stated in the SIP, members' views will be considered in relation to financial and non-financial matters. In the context of non-financial considerations, an Ethical Fund is available which invests according to defined ethical guidelines, including non-financially material considerations. An Islamic Global Equity Fund is also available for members, which invests according to Shariah principles (Islamic law as revealed in the Qur'an).

Non-Financial Matters (DB Sections)

The Trustee's policy is to delegate the consideration of financially material considerations including Environmental, Social and Governance ("ESG") considerations, voting and engagement to its investment managers and to consider these issues when making decisions regarding the selection or retention of investment managers. It seeks to appoint managers that have appropriate skills and processes to do this, and from time-to-time, reviews how its managers are taking account of these issues in practice.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, and it has continued to take advice on the selection and ongoing review of the investment managers from the investment adviser, who incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

Strategic Asset Allocation (DC Sections)

There were no changes to the overall strategic asset allocation or the structure of the Scheme's LifePlan strategies during the year.

Strategic Asset Allocation (DB Sections)

Following measures implemented in 2022, the strategic asset allocation was changed for the BPP and Chemetall sections.

The BPP Section allocation was reduced in return-seeking assets and increasing the allocation to Credit and LDI portfolios. This change allows the section to achieve the required return required in the journey plan while reducing risk.

The Chemetall Section strategic asset allocation retains a significant portion invested into growth assets, but the overall risk has reduced in comparison to the previous portfolio. As a result, the expected return of the portfolio also reduced from gilts+2.6% to gilts+1.9% per annum.

Section	Underlying Funds	New Allocation	Prior Allocation
Group section	Insight LDI portfolio	47.69	53.27
	Insight Buy & Maintain Credit	19.60	18.39
	Royal London Buy & Maintain Credit	22.13	19.95
	Barings Private Credit funds	9.23	7.80
	Cash balance	1.34	0.57
BPP section	LGIM Future World Fund	-	14.02
	Insight LDI portfolio	45.82	48.68
	Insight Buy & Maintain Credit	20.32	13.97
	Royal London Buy & Maintain Credit	19.84	13.92
	Barings Private Credit funds	6.16	4.77
	ICG Private Credit funds	6.39	4.05
	Cash balance	1.46	0.59
Chemetall section	SEI investments as Fiduciary Manager	-	99.99
	Insight LDI funds	42.12	-
	Insight ABS fund	8.26	-
	Insight Buy & Maintain Credit	4.86	-
	LGIM Future World Fund	43.63	-
	Cash balance	1.13	0.01

Manager Selection, Review and Monitoring (DC Sections)

The DC Committee maintained its regular monitoring of the investment managers, primarily by reviewing quarterly investment performance reports provided by the DC Investment Adviser.

These reports include:

- Details of how each fund and underlying investment manager is delivering against their specific benchmark and targets over both short term and long-term periods.
- The experience that members in the default investment strategy have experienced, in both the growth phase and the de-risking phase of the strategy. This is assessed against inflation measures to ensure that the strategy delivers real returns above inflation.
- Investment risk metrics for the default investment strategy, including volatility and “maximum drawdown” statistics. This allows the DC Committee to measure and monitor risks.
- Peer group analysis for key actively managed funds, comparing the performance of managers to alternatives available in the market.
- The investment research ratings and ESG ratings assigned by the DC Investment Adviser’s research team to each fund. These ratings denote the DC Investment Adviser’s research views on the funds, including the prospects for the manager achieving the investment objectives and the extent to which ESG considerations are integrated in the manager’s process, portfolio, and in their voting and engagement activities.

Manager Selection, Review and Monitoring (DB Sections)

The Trustee maintained its regular monitoring of the investment managers, by reviewing quarterly investment performance reports and by inviting the fund managers to present in the regular Investment Committee and Trustee meetings. Additionally, the Investment Adviser monitors the investment managers on an ongoing basis and informs the Trustee promptly about any significant updates or events that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification.

In 2022, for transition of assets for Chemetall, it was required to appoint new managers. The Trustee selected LGIM and Insight, as both were known managers for the other sections, and after confirmation of their suitability by the Investment Consultant.

Voting and Engagement (DC Sections)

Voting and Engagement Policies

To establish policy, the Trustee undertook detailed training provided by the DC Investment Adviser in 2019 (supplemented by further training in 2020, 2021, and 2022), with a particular focus on climate change during the year covered by this Statement. The Trustee undertook a beliefs survey to support ongoing maintenance and development of the voting and engagement policy. Trustee beliefs are reviewed periodically.

The Trustees have complied with the SIP on voting and engagement. The Scheme continued to invest solely in pooled funds, where voting and engagement activities are delegated to investment managers.

A key element of the Trustee's policy is to consider ESG issues when making decisions regarding the selection or retention of investment managers. Accordingly, and as set out in the SIP policies, during the year the Trustee reviewed ESG ratings published by the DC Investment Adviser when monitoring the investments. ESG ratings were also a key part of the decision-making process for the selection of a new Diversified Growth Fund, which was completed following the Scheme year end. The investment adviser's ESG ratings include assessment of a manager's voting and engagement capabilities.

Voting Activity during the Scheme Year

All Trustee holdings in listed equities are within pooled funds and therefore the Trustee is not able to direct how votes are exercised. The Trustee itself has not used proxy voting services over the year, and in line with the SIP policy the Trustee has delegated investment voting rights to the investment managers. Most voting activity will arise in respect of public equities. In this Statement, we have included voting data on the Scheme's funds that hold equities.

The Scheme makes daily dealt and priced pooled funds available to members. These funds are "blended" in that the Scheme provides a single fund, but the underlying investments are spread across a range of funds.

Fund	Underlying Funds	Strategic Allocation %
Adventurous	BlackRock Global Developed Fundamental Weighted Index	25.00
	BlackRock Global Minimum Volatility Index	25.00
	Allspring Emerging Market Equity	23.00
	L&G Future World Global Equity Index	27.00
Moderate	BlackRock Global Developed Fundamental Weighted Index	14.15
	BlackRock Global Minimum Volatility Index	14.15
	Allspring Emerging Market Equity	6.50
	Baillie Gifford Diversified Growth	16.67
	Abrdn Global Absolute Return Strategy	16.67
	L&G Diversified	16.66
Cautious	L&G Future World Global Equity Index	15.20
	BlackRock Global Developed Fundamental Weighted Index	9.20
	BlackRock Global Minimum Volatility Index	9.20
	Allspring Emerging Market Equity	4.10
	Baillie Gifford Diversified Growth	10.84
	Abrdn Global Absolute Return Strategy	10.83
	L&G Diversified	10.83
	L&G AAA-AA-A Corporate Bonds (All Stocks)	23.30
Aquila Connect Up to 5 Year Index Linked Gilts	11.70	
Pre-Retirement Annuity	L&G Pre-Retirement	100.00
Cash	L&G Sterling Liquidity	100.00
Ethical	L&G Ethical Global Equity	100.00
HSBC Islamic	HSBC Islamic Global Equity Index	100.00

Description of Voting Process

As shown in the previous table, the Scheme invests in underlying funds managed by various investment managers. Funds that invest in equities are managed by:

- Abrdn plc (“Abrdn”)
- Baillie Gifford & Co (“Baillie Gifford”)
- BlackRock Inc. (“BlackRock”)
- HSBC Global Asset Management (“HSBC”)
- Legal & General Investment Management (“L&G”)
- Allspring Global Investments (“Allspring”)

The voting policies of the managers have been received and considered by the Trustee and the Trustee deems these policies to be consistent with its investment beliefs.

Summary of voting behaviour over the year

The Trustee has been provided with the voting disclosures relating to the funds listed in the previous table. These are summarised in the table that follows, taking the funds that invest in public equities.

Data on 31/12/2022	Abrdn Global Absolute Return Strategies	Baillie Gifford Diversified Growth	BlackRock Global Dev Fundamental Weighted	BlackRock Global Minimum Volatility Index	HSBC Islamic Global Equity Index	L&G Diversified	L&G Ethical Global Equity	L&G Future World	Allspring Emerging Mkt Equity
Value of Scheme assets (£ 000s)	17,624	17,619	32,806	32,830	9,665	17,732	9,205	35,144	17,624
No. of underlying equity holdings	See note*	52	1,001	1,364	105	6,496	1,072	3,059	97
No. of meetings eligible to vote	14	106	577	354	107	9,567	1,141	4,942	143
No. of resolutions eligible to vote	183	1140	9,339	4,698	1,623	98,795	16,528	53,097	1,296
% of resolutions voted	72.1%	95.8%	88.8%	99.6%	95.8%	99.8%	99.7%	99.9%	98.5%
% of resolutions voted with management	79.5%	95.7%	95.1%	94.0%	81.8%	77.4%	82.0%	80.4%	84.0%
% of resolutions voted against management	20.5%	3.5%	4.9%	6.0%	17.6%	21.9%	17.8%	18.6%	14.0%
% of resolutions abstained	0.0%	0.8%	0.0%	0.0%	0.6%	0.7%	0.2%	1.0%	2.0%
% of resolutions voted against recommendation of the proxy adviser	17.4%	N/A**	0.0%	0.0%	11.2%	12.5%	13.0%	10.6%	12.0%

Data as at 31 December 2022 with the exception of the voting statistics for the BlackRock Global Minimum Volatility Index Fund which is as at 31 December 2021. The manager has been unable to update this at the time of writing. Source: Investment Managers.

* In respect of the Abrdn Global Absolute Return Strategies Fund, there were no direct equity stock holdings as at 31 December 2022, only exposure via derivatives. However, during the year there were direct holdings which the data reflects.

** Baillie Gifford vote in line with their in-house policy, not with proxy voting provider policies.

Most significant votes over the year

The Trustee has set their stewardship priorities as follows:

- 1) Climate change
- 2) Business ethics & transparency
- 3) Diversity, equity, and inclusion

Examples of voting issues that arose within each fund (that hold equities with voting rights), that is considered significant, as it relates to the Trustee's priorities above.

Fund	Abrdn Global Absolute Return Strategies			
Company	The Kroger Company			
Item	Report on climate change – specifically this was a shareholder request for the company to report on efforts to eliminate hydrofluorocarbons in refrigeration and reduce greenhouse gas emissions.			
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.			
Rationale	The Kroger Company is a US retailer that operates supermarkets & multi-department stores throughout the US. Given the significance of hydrofluorocarbons to this company's emissions, and the costs associated with moving to gases with lower global warming potential, Abrdn supported the request for the company to provide clearer disclosures and plans for emissions reduction in this regard and voted for the shareholder proposal (against management).			
Date of Vote	23 June 2022	Voting Decision	For	Outcome Failed

Fund	Baillie Gifford Diversified Growth			
Company	Lyft, Inc.			
Item	Shareholder proposal requesting further reporting on lobbying activities.			
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.			
Rationale	Baillie Gifford supported a shareholder proposal which requested that ride-sharing company should prepare an annual report disclosing its policy and procedures on government lobbying. The proposal further requested that Lyft should disclose the payments it had made in relation to direct government / federal) lobbying and indirect lobbying. Baillie Gifford supported this request as they believe the company can make further improvements in this area. They wished to see information on lobbying expenditures, a list of all trade association memberships, and dues or lobbying expenditures made by those associations using Lyft funds.			
Date of Vote	16 June 2022	Voting Decision	For	Outcome Failed

Fund	BlackRock Global Dev Fundamental Weighted			
Company	Shell Plc			
Item	Request Shell to set and publish targets for Greenhouse Gas Emissions			
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.			
Rationale	<p>The shareholder proposal requested that the company set and publish targets “consistent with the goal of the Paris Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short, medium, and long-term greenhouse gas emissions of the company's operations and the use of its energy products (Scope 1, 2, and 3 emissions).</p> <p>BlackRock did not support the proposal as they consider that it is not additive to Shell's Energy Transition Strategy, and that Shell's ability to set short-and medium-term scope 3 emissions targets is impeded by the current uncertainty around the pace of decline in oil and gas demand, as well as energy security issues. The issue of scope 3 (indirect) greenhouse gas emissions is complex, particularly for the oil and gas industry. In BlackRock's view, scope 3 emissions are a major societal issue and, for companies where they are material, the prospect of future policy changes could affect the economic viability of their business models. While BlackRock welcomes disclosures on how companies are considering scope 3 emissions, at this stage they view these differently from scope 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies.</p>			
Date of Vote	24 May 2022	Voting Decision	Against	Outcome Failed

Fund	BlackRock Global Minimum Volatility Index				
Company	Rio Tinto				
Item	Approve Climate Action Plan				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>BlackRock voted for a management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan. This action plan, and its associated targets and disclosures, are consistent with what BlackRock look for, and, in their assessment, demonstrate management and board responsiveness to shareholder feedback.</p> <p>The manager further notes that Rio Tinto has accelerated their plans in "managing physical climate change risk through risk-based adaptation practices" that the group deems essential to enhance the resilience of assets and communities. The Climate Action Plan articulates the specific steps the group will take in alignment with their commitment to net zero by 2050, which includes setting more ambitious interim targets and having in place clear board oversight.</p>				
Date of Vote	5 May 2022	Voting Decision	For	Outcome	Passed

Fund	HSBC Islamic Global Equity Index				
Company	The Home Depot, Inc				
Item	Election of a named male Director				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	<p>HSBC voted against the election of this Director as the board's gender diversity falls below their expectation for a large US company (40%).</p> <p>Whilst Home Depot's Nominating and Corporate Governance Committee has a policy to consider a diverse slate of candidates for each position that becomes available on the Board, at the time of the vote only 33% of the Board were female, which HSBC consider to be below expectations for a company of this size and nature.</p>				
Date of Vote	19 May 2022	Voting Decision	Against	Outcome	Passed

Fund	L&G Diversified				
Company	Amazon				
Item	Resolution to elect a named Director				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	<p>L&G voted against the election of a particular Director, as the individual had been a long-standing member of Amazon' Leadership Development & Compensation Committee which L&G consider has been accountable for human capital management failings.</p> <p>A number of investors had noted that despite repeated requests, the Leadership Development & Compensation Committee had not met with institutional investors to discuss improvements to its human capital management oversight and disclosure, and had not adequately overseen health and safety, with adverse consequences for Amazon and its employees.</p>				
Date of Vote	25 May 2022	Voting Decision	Against	Outcome	Passed

Fund	L&G Ethical Global Equity				
Company	TotalEnergies SE				
Item	Resolution to approve the company's Sustainability and Climate Transition Plan				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>L&G recognise the progress this company has made with respect to its net zero commitment, specifically around investments in low carbon solutions and by strengthening its public disclosures.</p> <p>However, L&G were still concerned about the company's planned upstream production growth in the short term, and the absence of further details in the Sustainability and Climate Transition Plan on how such plans are consistent with a 1.5°C warming trajectory. Therefore they voted against the approval of the Sustainability and Climate Transition Plan.</p>				
Date of Vote	25 May 2022	Voting Decision	Against	Outcome	Passed

Fund	L&G Future World				
Company	NVIDIA Corporation				
Item	Election of a named male Director				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	<p>A vote against was applied as L&G expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% by 2023. L&G have therefore been targeting large companies by voting against Directors for boards that fail to meet these standards. Further, L&G's vote was deemed appropriate as L&G expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>				
Date of Vote	2 June 2022	Voting Decision	Against	Outcome	Passed

Fund	Allspring Emerging Market Equity				
Company	Hapvida Participacoes e Investimentos SA ("Hapvida")				
Item	Approve remuneration of company's management				
Significance criteria	This vote was assessed as having high governance risk, where the allocation to the company's stock was also significant for the portfolio.				
Rationale	<p>Hapvida is a Brazil-based holding healthcare company.</p> <p>Allspring voted against this item because they believed that Hapvida had failed to provide a compelling rationale for the 424% year-over-year increase proposed for the 2022 global remuneration cap.</p> <p>Allspring believe that a company's board and / or its compensation committee should link long-term performance goals that underpin the company's long-term strategy into the management incentive plans and ensure that quantifiable, long-term, performance-based incentives serve as majority drivers of incentive awards.</p>				
Date of Vote	25 April 2022	Voting Decision	Against	Outcome	Passed

All data as at 31 December 2022. Source: Investment Managers.

Voting and Engagement (DB Sections)

Voting and Engagement Policies

In 2022, the Trustee, following guidance from the DWP, have set their stewardship priorities as being:

- 1 – Climate change
- 2 – Business ethics & transparency
- 3 – Diversity, equity, and inclusion

The priorities were communicated to the investment managers, and the Trustee will regularly monitor, at least once per year, on their voting and engagement policies to ensure these priorities are considered.

Votes / Engagement in relation to listed equity

All equity holdings are invested in the **LGIM Future World Fund**. This fund is also used for the DC Sections, whose voting process and behaviour were already described in the previous section. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year. The Trustee has delegated the engagement and monitoring of the investment managers' exercise of voting rights to the Investment Consultant in line with the Scheme policy on voting and engagement.

Votes / Engagement in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that had voting / engagement opportunities during the period:

Barings – Private Credit

Barings' investment professionals seek to understand the potential risks to and opportunities for an investment (including those related to ESG); to do so they may meet with government officials and corporate management teams, visit operational facilities, and analyse industry competitors. Once invested, they continue to monitor each investment to ensure that their thesis, including that on ESG matters, remains intact and that an investment's risk and return profile remains attractive relative to other opportunities available in the market. During 2022, Barings has engaged with some companies in their portfolio to include ESG ratchets into their loan documentations, to enhance sustainable performance over time.

ICG – Private Credit (BPP only)

As ICG acts mostly as sole lender, regular engagement with their companies is part of their ongoing monitoring process. ICG believes that close contact with the investee companies and the monthly and quarterly reviews are essential to ensure effective monitoring of its investments. It also helps to provide an early indication of changes in the performance and credit risk of an investee company.

Insight – Buy & Maintain Credit, ABS and LDI funds

Insight considers ESG issues within their research process and has developed their own rating methodology using data from multiple third-party data providers. If Insight identifies material ESG risks, they engage to better understand the issues. On government bonds, Insight engages directly with the Debt Management Office, and via industry wide groups, such as Sustainable Investment and Finance Association and the Institutional Investors Group on Climate Change. On ABS, Insight engages with originators, other asset managers and regulators to improve and standardise data. One example of engagement on the B&M credit portfolio was in Q4 2022, when Insight engaged with Morgan Stanley (MS) as the company had poor scores on one Insight's ESG questionnaire. Several points were clarified, including commitment to net zero initiatives, and differences between requirements from European and American regulators. Insight is still engaging with MS on diversity and inclusion policies and more details on the questionnaire in Q1 2023.

Royal London Asset Management (RLAM) - Buy & Maintain Credit

RLAM's approach to engagement considers the strategic, environmental, social and governance risk management of investee companies. Engagement carried out jointly with investment specialists and RI teams is especially effective for fixed income assets where ESG external data typically lacks. In Q4 2022, RLAM engaged with 40 companies on several topics, such as transition to net zero, environment and social topics.