

BASF UK Group Pension Scheme 2023 Summary Funding Statement

Introduction

The Trustee of the BASF UK Group Pension Scheme (the Scheme) is required to produce a Summary Funding Statement to all members & beneficiaries on a regular basis.

This Statement contains the results of the latest Actuarial Valuation (at 31 December 2020), along with an update of the funding position as at 31 December 2022.

The independent Scheme Actuary monitors the Scheme's finances by comparing the amount needed to provide the benefits due on an ongoing basis (known as the technical provisions), against the Scheme assets held.

- The Scheme is in **deficit** if the asset value is **less** than the technical provisions
- The Scheme is in **surplus** if the asset value is **more** than the technical provisions



Scheme Structure

The Scheme currently consists of three Defined Benefit (DB) Sections:

- Group Section
- BPP Hybrid Section
- Chemetall Section

Each section holds assets and liabilities independently of each other. As a result, the Scheme Actuary assesses the assets and liabilities of each section independently.



Assumptions

The Trustee employs the Scheme Actuary to provide regular checks on the Scheme finances. These regular check-ups involve calculating a target level of assets.

The target level of assets is the amount that is expected to be enough to pay all benefits due to members, based on assumptions about the future. For example:

- How long people will live
- What inflation will be
- What returns will be earned on the Scheme investments

It isn't possible to accurately predict exactly how much money will be needed to pay all member benefits. This will depend on how actual experience compares with the assumptions made.

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Scheme Assets

The assets include:

- Member contributions
- Company contributions
- Investment growth

The assets are held under Trust, and the Trustee is responsible for investing and monitoring the assets.

Each section's assets are held independently for members of each section; they are not held in separate pots for each member.

How does the Trustee know how much money is needed?

The Trustee obtains regular Actuarial Valuations (at least every three years). These estimate the cost of paying members' benefits in the future (liabilities) and assess the level of assets required to pay them. If the assets held by the Scheme are less than the amount needed, then the Trustee, with the advice of the Scheme Actuary, agrees with the Company the amount of contributions to be paid.

How does the Company support the Scheme?

The main Trustee objective is to have enough money to pay pensions now and in the future.

Success of this objective relies on the Company continuing to support the Scheme.

The Company continues to support the Scheme by:

- Contributing towards the running costs & expenses of the Scheme
- Providing additional funding where the Scheme funding level cannot support itself



Scheme support responsibilities

- The BPP Hybrid Section is supported by BASF plc
- The Group Section is supported by BASF plc and BASF Metals Limited
- The Chemetall Section is supported by Chemetall Limited



Security of member benefits

If any of the DB Sections were to wind-up, the Company is required to pay enough into the Scheme to enable member benefits to be completely secured with an insurance company.

If the Company is not able to pay the shortfall you may not receive the full value of your pension. If the Company became insolvent, the **Pension Protection Fund (PPF)** may take over the Scheme and pay compensation to members.

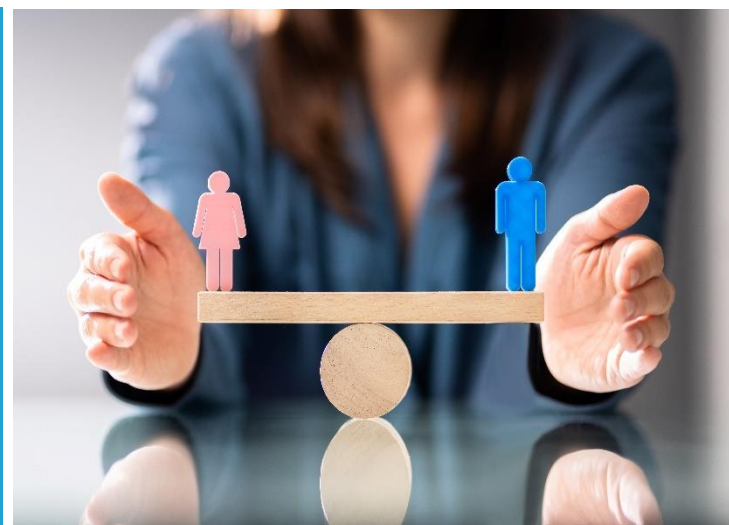
Further information is available on the [PPF website](#).

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Guaranteed Minimum Pension (GMP) Equalisation

GMP is a minimum pension payable to a member by the Scheme from being contracted-out of the State Pension before April 1997. The Trustee is required to ensure that all GMP earned after 16 May 1990 is equalised between males and females.

A complex programme of work is currently underway and, once results are known, all affected members will be contacted with details of how their benefits may change.



The amounts involved for any individual member are likely to be small but for the Scheme, the total additional benefits payable are expected to increase the Scheme liabilities by millions of pounds.

Latest Actuarial Valuation (31 December 2020)

The Scheme Actuary performs a full valuation of each section of the Scheme (at least once every three years). The results are shown in the table below (including comparisons to the 2017 valuation):

	BPP Hybrid Section		Chemetall Section		Group Section	
	2017	2020	2017	2020	2017	2020
Assets (£m)	1,008.9	1,120.7	N/A*	43.1	610.1	649.5
Technical provisions (£m)	1,049.4	1,133.6	N/A*	56.0	580.8	635.7
Surplus / (Deficit) (£m)	(40.5)	(12.9)	N/A*	(12.8)	29.3	13.8
Funding level	96%	99%	N/A*	77%	105%	102%

* The Chemetall Section was created on 30 November 2020 following the merger of the Chemetall Pension Scheme. As the section did not exist in 2017, no valuation results are available.

BPP Hybrid Section

Whilst the section was in deficit at the 31 December 2020 valuation, the deficit of £12.9m at the valuation improved by the time of signing the Recovery Plan to a surplus of £33.8m. It was therefore agreed between the Trustee and Company that no new deficit recovery contributions were required to be paid.

Chemetall Section

Due to the deficit at the valuation date, the Company amended its contributions to £1.36m per annum. At the date of signing the Recovery Plan, these extra contributions were expected to eliminate the deficit by 30 June 2028. The plans for eliminating the deficit and the contributions required from the Company are set out in the Scheme's formal Recovery Plan and Schedule of Contributions which was agreed with the Company as part of the valuation process.

Group Section

As the section was in surplus at the valuation date, no additional contributions were required. The position will continue to be monitored until the next formal valuation.

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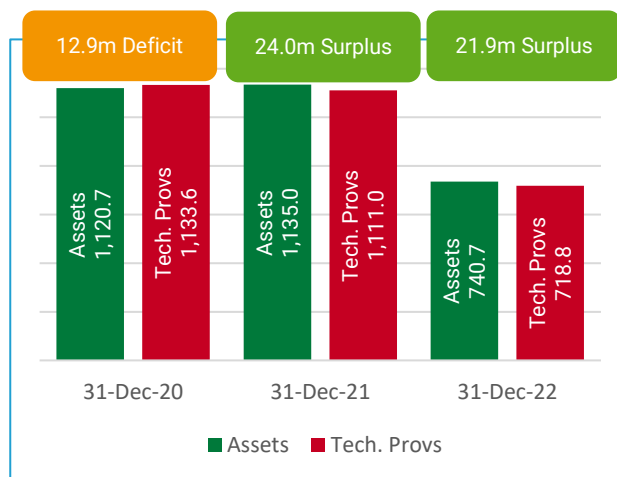
Actuarial Funding Update (31 December 2022)

Between each full Actuarial Valuation, the Scheme Actuary will complete annual funding updates to illustrate how Scheme funding has changed since the previous full valuation.

BPP Hybrid Section

The graph shown compares the estimated technical provisions with the market value of assets together with the corresponding figures from the 2020 Actuarial Valuation and 2021 funding update.

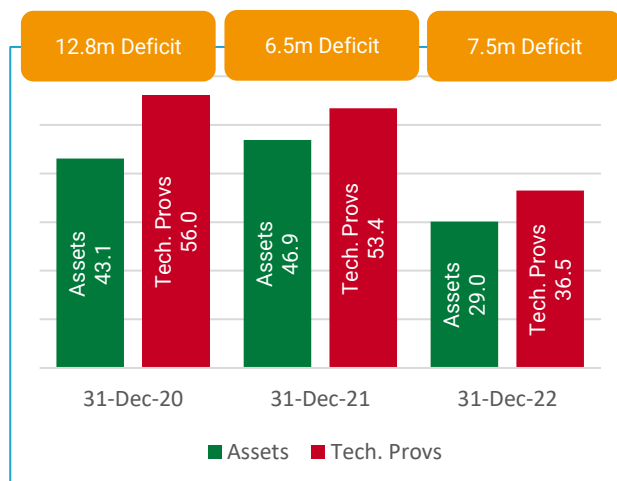
It is estimated that the technical provisions funding level as at 31 December 2022 has improved since the 2020 actuarial valuation. As at 31 December 2022 this amounted to a surplus of £21.9 million with a funding level of 103%.



Chemetall Section

The graph shown compares the estimated technical provisions with the market value of assets together with the corresponding figures from the 2020 Actuarial Valuation and 2021 funding update.

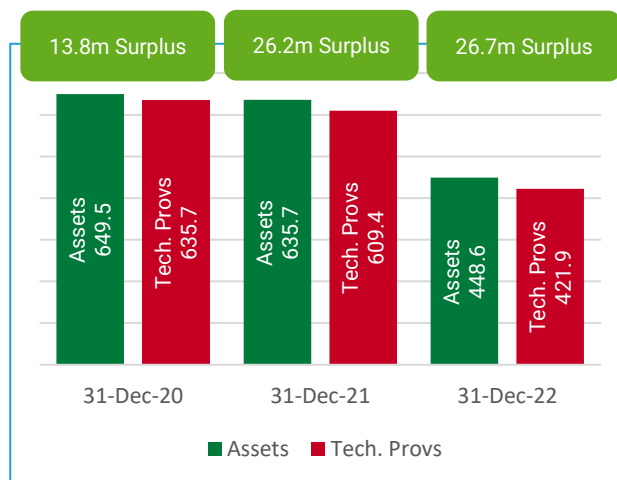
It is estimated that the technical provisions funding level as at 31 December 2022 has improved since the actuarial valuation as at 31 December 2020, although the funding deficit has worsened over the year to 31 December 2022. As at 31 December 2022 the deficit was £7.5 million corresponding to a funding level of 79%.



Group Section

The graph shown compares the estimated technical provisions with the market value of assets together with the corresponding figures from the 2020 Actuarial Valuation and 2021 funding update.

It is estimated that the technical provisions funding level as at 31 December 2022 has improved since the actuarial valuation as at 31 December 2020. As at 31 December 2022 this amounted to a surplus of £26.7 million with a funding level of 106%.



You may notice that the assets & liabilities in all sections have significantly reduced. This has been primarily caused by the increase in interest rates and bond yields over the year. The Scheme invests in bonds because they provide a good match to the pensions we pay to members. As bond yields rise, the bond asset value reduces, as does the amount of money we estimate we need to set aside to pay pensions in the future (liability value), meaning the funding level remains largely unaffected.

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Scheme Solvency

A funding deficit is not the same as the amount that would be needed to provide full benefits if the Section were to 'wind-up'. On wind-up, insurance policies to secure member benefits would be purchased. The cost of these policies varies widely, depending on the terms quoted by insurers.

The 2020 Valuation showed that if each section were to have wound up at that date, and benefits secured with an insurance company, the funding level (ratio of assets to liabilities) would have been approximately:

- BPP Hybrid Section 78%
- Chemetall Section 60%
- Group Section 89%

In these circumstances the cost of securing the balance of member benefits becomes a debt (which would need to be paid by the Company). It does not imply that there is any intention on the part of either the Company or the Trustee to wind-up the section. The information is designed to help you understand the financial security of your benefits.



Is there anything else I need to know?

Regulations require us to confirm to you that no sponsoring employer has taken any money out of the Scheme in the previous 12 months.

Where can I get more information?

If you are interested in looking at any of the formal documents, please request a copy from the Scheme Administrator using the contact information below. The formal documents include:

- Trust Deed and Rules
- Statement of Investment Principles
- Statement of Funding Principles
- Annual Report & Accounts
- Recovery Plan (where applicable)
- Actuarial Valuation
- Actuarial Reports
- Schedule of Contributions

Contact information

We hope you have found this information useful. If you have any questions about this Statement or about your own pension, contact the Scheme Administrator using the details below.

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You can also view other information about the Scheme on the [BASF Pension Website](#).