BASF Ireland Limited Pension & Life Assurance Scheme (“the Plan”)

Statement of Investment Policy Principles (SIPP)

Introduction

The purpose of this document is to comply with the EU directive on the Activities and Supervision of Institutions for Occupational Retirement and satisfy the subsequent changes in the Pensions Act, of 1990.

This statement has been agreed by the Trustees of the Plan.

Plan Structure

The Plan is a Defined Benefit (DB) arrangement. The Plan was established to provide benefits for members and their dependants on retirement or death.

BASF Ireland Limited is the Plan Sponsor. The Trustees are charged with primary responsibility for the management and oversight of the Plan and are responsible for overseeing all aspects of the Plan’s operation.

The day-to-day administration of the Plan is provided by a third-party provider.

The Trustees have overall responsibility for the investment of Plan assets and make the key asset allocation decisions. The Trustees appoint external investment managers to manage the Plan’s assets. The Plan Administrator also provides investment support services as required and supports the work of the Trustees.

The Trustees have taken expert advice in preparing this document and setting out their Investment Principles and Objectives.

General Principles and Objectives

The responsibility for setting investment policy lies with the Trustees.

The overall investment objective is to seek sustained long-term growth sufficient to meet the liabilities, within appropriate levels of risk, over a prolonged period and taking account of the nature and timing of those liabilities. The adequacy of the Plan's assets to achieve this objective is measured every three years through a formal triennial valuation by the Plan Actuary. The solvency level of the Plan (assessed in accordance with the requirements of the Funding Standard as set out in the Pensions Act 1990 (as amended)) is measured annually.

Implementation

The Trustees employ multiple investment managers to implement the agreed investment allocation. The managers, their investment objectives, and the target proportions of the total fund that each will manage are set out in **Appendix A**.

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Governance

The Trustees are responsible for the investment of the Plan assets. The Trustees take professional advice from the Investment Consultant, and based on this, make decisions on the asset allocation to be adopted and investment managers to be appointed. The Trustees have established the following decision-making structure:

Trustees

- Set structures and processes for carrying out their role
- Select and monitor planned asset allocation strategy
- Select investment advisors and investment managers
- Decide on the structure for implementing an investment strategy
- Make ongoing decisions relevant to the operational principles of the investment strategy
- Monitor investment advisors and investment managers
- Receive appropriate training to enable appropriate decisions with the help of the investment advisers

Investment Consultant

- Advises on all aspects of the investment of the Plan assets (including implementation)
- Advises on this statement
- Monitor investment managers and investment risk (as required)
- Provide required training (as required)

Fund Managers

- Operate within the terms of this statement and their written contracts
- Select individual investments considering their suitability and diversification

Investment Strategy

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. The Plan's strategic asset allocation is detailed in **Appendix A**.

Actual asset allocations vary from time to time, reflecting market movements and related factors. The Trustees monitor the asset allocation and make appropriate adjustments, considering the target long-term allocation.

The asset allocation was determined considering the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile and duration. This will be reviewed in full following each triennial actuarial valuation and the risk profile of the Plan's assets will be reduced as and when affordable taking into account the affordability of the Sponsor and the Trustees' attitude to risk.

The Trustees considered written advice from their investment advisers when choosing the Plan's planned asset allocation strategy. It is the Trustees' policy to consider:

- A full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification

Review of Investment Managers

The Trustees will periodically review each investment manager and review the investment managers every three years with advice from the Plan's investment consultant. These reviews will focus on the following:

- Business Issues
- Organisation and Staff
- Investment Process
- Risk Management
- Systems
- Performance
- Client Service and Fees

The current investment managers, mandates, and benchmarks for each manager are listed in **Appendix A**.

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Risk Measurement & Management

The Trustees have considered the following risks and mitigations in the table below:

Risk	Description	Mitigation
Market	Asset return is not in-line with liability changes	Carry out an investment strategy review to determine the appropriate asset mix relative to the liabilities, and by holding a diversified portfolio of assets.
Longevity	Mortality improvements lead to higher costs	Considered in actuarial valuation.
Manager	Investment managers do not meet investment objectives or deviates from intended risk profile	Risk is addressed by regular monitoring of the investment managers on an ongoing basis, relative to their investment objectives and risk profile and by predominantly investing in indexed investments.
Interest Rate	Interest rates change liabilities but is not reflected in the assets	Investing in an appropriate proportion of bonds of an appropriate credit rating, with due consideration to the liability characteristics of the Plan.
Cashflow	Cashflow needs require divestment of assets at an inopportune time	
Inflation	Inflation linked liabilities grows at a faster rate than the assets held	Invest an appropriate proportion of assets with returns that is expected to exceed inflation. Risk is addressed by investing in an appropriate mix of assets that broadly generates the cashflow requirements to match liability cashflows. Risk of increasing importance as the average age increases, and pensioners represent an increasing proportion of Plan liabilities.
Operational	Fraud or poor advice	Monitor & review investment managers & advisers.
Covenant	Sponsor is unable to provide sufficient funding	Agree employer funding requirements following each formal valuation.

Due to the complex and interrelated nature of the above risks, the Trustees consider these risks in a qualitative, rather than quantitative manner as part of each formal investment strategy review. Some aspects of these risks may be modelled explicitly. In addition, investment risk is considered as part of the actuarial valuation.

In addition, risk is measured in terms of the performance of the assets compared with the liabilities on a regular basis, usually quarterly.

Environmental, Social, and Governance (ESG) Considerations

The Trustees are advised of the ESG ratings of the current investment funds in their quarterly investment monitoring reports.

Compliance with this Statement

The Trustees may monitor compliance with this Statement annually. The Trustees may obtain written confirmation from the investment managers that they have complied with this Statement as supplied to them as far as reasonably practicable and the Trustees undertake to advise the investment managers promptly and in writing of any material change to this Statement.

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Review of this Statement

This SIPP may be revised by the Trustees at any time. The Trustees will formally review this SIPP at least every three years. Any necessary changes will be made in consultation with the Sponsor.

Signed on behalf of the Trustees of the BASF Ireland Pension & Life Assurance Scheme

Signed: Alison Wilkins
Alison Wilkins (Oct 3, 2023 10:42 GMT+1)
Alison Wilkins

Date: 03/10/2023

Signed: Joe Lynch
Joe Lynch (Nov 24, 2023 12:29 GMT)
Joe Lynch

Date: 24/11/2023

This Statement of Investment Policy Principles is produced to meet the requirements of the Occupational Pension Schemes (Investment) Regulations, 2006.

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Appendix A

Manager Details

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical.

The table below documents the investment managers employed by the Trustees, along with details of each investment fund.

Asset Class	Fund	Benchmark	Annual Management Fee (% p.a.)	Target Allocation
Diversified Growth	Multi Asset Portfolio 5 CB Series B	Cash Deposit Rate (ESTR) + 4.5%	0.75%	40%
Government & Corporate Bond	Pension Protection Fund	Composite Benchmark ICE BAML 15+Yr AAA Euro Gov Index ICE BAML 10+ Yr Euro Lg Cap Corp Index	0.40%	60%

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Investment Guidelines Financially Material Considerations

Due to the size and nature of the Plan's investments, investments are currently on a unitised basis. While the Trustees recognise that they cannot restrict investments in unitised vehicles, they may require all investment managers (except for those with Government Bond mandates) to furnish, on an annual basis, a statement confirming that the investments comply with the following list of principles. If the fund is not compliant with any principle, the investment manager will report on and explain the rationale on an at least annual basis.

- The assets of the Plan must be properly diversified in such a way as to avoid excess reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole;

- Assets shall be invested in such a manner as to ensure the security, quality, liquidity, and profitability of the portfolio (where appropriate), having regard to the nature and duration of the expected liabilities

- No further investment in a security where the value (as a proportion of the total value of a fund), exceeds 5%*. Furthermore, the investment manager may be required to report quarterly on any securities that, by virtue of market movements, become more than 5%* of the total value of a fund
  ** excluding government bonds*

- No investment which accounts for more than 5% of the issued capital of any one company

- Investing in unlisted securities (except for other unitised vehicles which is not restricted) is permitted up to a limit of 7.5% of a fund

- Investment in derivative instruments may be made only in so far as they:

  a) contribute to a reduction of risks
  b) facilitate efficient portfolio management, including the reduction of cost or the generation of additional capital or income with an acceptable level of risk

  Any such investment must be made and managed to avoid excessive risk exposure to a single counterparty and to other derivative operations

- Investments should be predominantly on regulated markets

- The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund manager through a written contract. These duties include:

  a) Realisation of investments
  b) Considering socially responsible factors in so far as they relate to the financial potential of the Plan’s assets
  c) Voting and corporate governance in relation to the financial potential of the Plan’s assets

- The Trustees may, from time-to-time, ask the manager to report on their approach to these issues.

- The manager will not engage in selling securities short;

- The use of options, futures or contracts for differences is permitted for facilitating increases or decreases in exposure to a market pending the orderly acquisition or disposal of physical securities. The total exposure of such instruments may not exceed 10% of the total value of the portfolio, and they must be traded on and under the rules of a Recognised or Designated Investment Exchange

- Currency hedging is permitted but limited to the value of investments denominated in the foreign currency hedged.

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