

# **BASF UK Group Pension Scheme**

**Annual Report & Financial Statements**

**For the year ended 31 December 2023**

**Scheme Registration Number: 10135237**

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## Trustee and advisers

Principal Employer	BASF plc		
Participating Employers	BASF Metals Ltd Chemetall Ltd	BASF Agricultural Specialities Ltd BASF Pharma (Callanish) Ltd	
Directors of BASF Pensions Trustee Limited (the Trustee Company)	<b>Independent Trustee (Chair)</b> Independent Governance Group (Formerly Ross Trustee Services represented by J Myerson)	<b>Company appointed</b> M Newbould D Welsh PC Wormald	<b>Member nominated</b> K Crabtree R Portman G Thomson
Company Secretary	H Koerner		
Pension Manager	A Wilkins		
Administrator	Gallagher Benefit Services (formerly Buck, A Gallagher Company)		
Actuary	G Connolly (Towers Watson Limited) (resigned on 6 March 2023) S Caine (Towers Watson Limited) (appointed on 6 March 2023)		
Independent Auditors	PricewaterhouseCoopers LLP		
Legal Advisers	Arc Pensions Law		
Investment Advisers	LCP (DB)	Mercer Limited (DC)	
Global Custodian	JPMorgan		
Life Insurers	Legal & General (from 3 May 2023) MetLife (until 2 May 2023)		
Bankers	Lloyds Bank plc		
Investment Managers	<b>Group Section</b> Insight Investment Management Limited Royal London Asset Management Limited (RLAM) Barings LLC	<b>BPP Section</b> Insight Investment Management Limited Royal London Asset Management Limited (RLAM) Barings LLC Intermediate Capital Group plc (ICG)	
	<b>Chemetall Section</b> Legal & General Investment Management Limited (LGIM) Insight Investment Management Limited	<b>Combined DC Sections</b> Scottish Widows Limited (Scottish Widows)	
AVC Providers	<b>BPP Section</b> Utmost Life and Pensions Friends Life	<b>Group Section</b> Utmost Life and Pensions Phoenix Life Prudential Assurance Company Limited	
	<b>Chemetall Section</b> Prudential Assurance Company Limited	Friends Life	

## Trustee's Report

BASF Pensions Trustee Limited (the Trustee) of the BASF UK Group Pension Scheme (the Scheme) presents the Annual Report & Financial Statements for the year ended 31 December 2023.

### *Trustee*

The Trustee is a corporate Trustee. The full Trustee board met five times during the year ended 31 December 2023. 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 2023 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 2023 as specified below:

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

### **Change in Scheme Actuary**

Gareth Connolly from Towers Watson Limited, resigned his position as the Scheme Actuary on 6 March 2023. Stephen Caine was appointed as the replacement Actuary, also from Towers Watson Limited, from 6 March 2023. In his letter of resignation Mr Connolly confirmed that he was not aware of any circumstances connected with his resignation which, in his opinion, significantly affect the interests of members or prospective members of, or beneficiaries under, the Scheme.

## 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'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 2023	706	2,482	-	-	3,188
Adjustments to prior year	(9)	6	-	-	(3)
New members joining	72	-	-	-	72
Members retiring	(2)	(43)	-	-	(45)
Members leaving prior to pensionable age	(38)	38	-	-	-
Refunds	(5)	-	-	-	(5)
Deaths	(1)	(3)	-	-	(4)
Transfers out	(9)	(131)	-	-	(140)
<b>At 31 December 2023</b>	<b>714</b>	<b>2,349</b>	<b>-</b>	<b>-</b>	<b>3,063</b>

BPP DB Section	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2023	-	1,499	1,965	386	3,850
Adjustments to prior year	-	(3)	(14)	3	(14)
New beneficiaries	-	-	-	42	42
Members retiring	-	(50)	50	-	-
Deaths	-	(6)	(51)	(20)	(77)
Transfers out	-	(5)	-	-	(5)
<b>At 31 December 2023</b>	<b>-</b>	<b>1,435</b>	<b>1,950</b>	<b>411</b>	<b>3,796</b>

Chemetall DB Section	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2023	-	150	219	43	412
Adjustments to prior year	-	(1)	(2)	1	(2)
New beneficiaries	-	-	-	4	4
Members retiring	-	(15)	15	-	-
Deaths	-	(1)	(7)	(1)	(9)
Transfers out	-	-	-	-	-
<b>At 31 December 2023</b>	<b>-</b>	<b>133</b>	<b>225</b>	<b>47</b>	<b>405</b>

Group DB Section	Active	Deferred	Pensioner	Beneficiaries	Total
At 1 January 2023	-	730	2,112	483	3,325
Adjustments to prior year	-	(6)	(24)	15	(15)
New beneficiaries	-	-	-	41	41
Members retiring	-	(76)	76	-	-
Deaths	-	(3)	(68)	(34)	(105)
Transfers out	-	(1)	-	-	(1)
<b>At 31 December 2023</b>	<b>-</b>	<b>644</b>	<b>2,096</b>	<b>505</b>	<b>3,245</b>

All Sections	Active	Deferred	Pensioner	Beneficiaries	Total
Total membership	<b>714</b>	<b>4,561</b>	<b>4,271</b>	<b>963</b>	<b>10,509</b>

### Salary Links

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

Section	2023	2022
Chemetall DB Section	11	12
Group DB Section	5	7

### 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	2023	2022
BPP DB Section	9	9

## Scheme Membership (continued)

### Annuities

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

Section	2023	2022
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	2023	2022
BPP DC Section *	Active	51	56
	Deferred	473	513
Group DC Section	Active	663	654
	Deferred	1,876	1,969

## 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 2023 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 2023 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)	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%
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 Trustee 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

### Investment management

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

The investments of the BPP Section of the BASF UK Group Pension Scheme (the "BPP Section") were managed by Barings Asset Management Limited ("Barings"), Intermediate Capital Group plc ("ICG"), Insight Investment Management Limited ("Insight") and Royal London Asset Management Limited ("RLAM").

#### *Chemetall Section*

The investments of the Chemetall Section of the BASF UK Group Pension Scheme (the "Chemetall Section") were managed by Legal & General Investment Management ("LGIM") and Insight Investment Management Limited ("Insight").

#### *Group Section*

The investments of the Group Section of the BASF UK Group Pension Scheme (the "Group Section") were managed by Barings Asset Management Limited ("Barings"), Royal London Asset Management Limited ("RLAM") and Insight Investment Management Limited ("Insight").

#### *Combined DC Sections*

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

### Statement of Investment Principles

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 SIP was reviewed and updated in December 2022. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review. A copy of the latest SIP is available online at the following address: [Pension Scheme Governance \(basf.com\)](https://www.basf.com/pension-scheme-governance).

### Custody of assets

#### *Group & BPP Section*

The underlying pooled fund assets are held by a number of custodians who have agreements with the investment manager of the assets. 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 of both Section's assets. The Trustee reviews the procedures and controls operated by the custodian from time to time.

#### *Chemetall Section*

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

#### *Combined DC Sections*

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.

### Departures from the SIP

Changes to each Section's asset allocations over the year were primarily a product of market movements. Any other changes were considered in accordance with the investment strategy and policies as set out in the latest 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 Scheme's Investment Advisers, decides on the overall allocation of assets between the various asset classes, 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% pa basis. Having considered the maturity, cash flow profile and funding level, as well as the Trustee's view of the covenant of the Employer, the Trustee aims to achieve this target by 31 December 2031 for the BPP and Chemetall Section, and 31 December 2026 for the Group Section.

#### BPP Section

For the BPP 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. The Trustee, in agreement with the relevant Employer, has agreed to implement a de-risking policy, which is based on the long-term gilts+0.25% pa funding level. The de-risking policy acts to reduce risk when the relevant funding level increases.

#### Chemetall Section

For the Chemetall Section, the Trustee, in agreement with the relevant Employer, has agreed to implement a de-risking policy, which is based on either the return required to reach full funding on a gilts+0.25% pa basis by the Chemetall Section's respective target date or the long-term gilts+0.25% pa funding level. The de-risking policy acts to reduce risk when the required return to reach the Chemetall 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. If material deviations between the allocations occur, the Trustee considers with its advisers whether it is appropriate to rebalance the assets. For the BPP and Group Section the split between LDI and ABS mandates is rebalanced at Insight's discretion, aiming to balance collateral adequacy, liquidity risks and generating investment returns.

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 in the following table:

Portfolio	Asset class	Strategic allocation (%)
LGIM Future World Fund	Global Equities	20.0
LGIM Future World Fund - GBP Hedged	Global Equities	20.0
Insight Buy and Maintain Bond Fund	Buy and Maintain Credit	6.0
Insight High Grade ABS Fund	ABS	9.0
Insight LDI Enhanced Selection Fund range & Liquidity Funds	LDI & Liquidity	45.0
<b>Total</b>		<b>100.0</b>

*Excludes AVC investments.*

## Investment report (continued)

### Group Section

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.

### Combined DC Sections

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.

During the year, the Trustee replaced two of the diversified growth funds used within the Moderate and Cautious Funds (further detail is provided in the Chair’s Statement). The allocations for these funds are shown in the following page.

The underlying target asset allocation splits (at the pooled fund level) for the funds available to members are set out below.

Fund	Underlying Funds	Allocation at 31 December 2023 (%)	Allocation at 31 December 2022 (%)
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
	Baillie Gifford Sustainable Multi Asset	16.67	-
	Abrdn Global Absolute Return Strategies	-	16.67
	Mercer Diversified Growth	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
	Baillie Gifford Sustainable Multi Asset	10.84	-
	Abrdn Global Absolute Return Strategies	-	10.83
	Mercer Diversified Growth	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 Future World Annuity Aware*	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

\*This fund was formerly known as the L&G Pre-Retirement Fund. L&G changed the name of this fund during the period.



## Investment report (continued)

The values of the funds in which members may invest are set out in the following table.

Investment Fund	31 December 2023 (£'000k)	31 December 2022 (£'000k)
Adventurous	71,842	71,301
Moderate	94,005	97,304
Cautious	15,985	13,089
Pre-Retirement Annuity	26,543	26,413
Sterling Liquidity	17,250	19,049
Ethical Global Equity	10,335	9,205
HSBC Islamic	12,334	9,665
<b>Total</b>	<b>248,294</b>	<b>246,026</b>

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 table shows the performance of each Section over the one and three year periods to 31 December 2023, based on the performance of the investment managers after the deduction of fees.

	One year (%)	One-year Benchmark	Three years (% pa)	Three-year Benchmark
BPP Section	5.2%	4.5%	-9.2%	-8.7%
Chemetall Section	4.9%	-	-11.0%	-
Group Section	6.6%	5.6%	-6.7%	-6.9%

Excludes AVC investments. Source: Data provided by JP Morgan and LCP Visualise estimate of the change to the value of the Chemetall Section assets.

## 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 2023 were as follows:

	One Year	Benchmark	Three Year p.a.	Benchmark p.a.
Adventurous	8.3	8.4	5.8	6.7
Moderate	7.1	9.4	3.3	6.3
Cautious	6.7	8.6	1.7	3.6
Pre-Retirement Annuity	7.4	3.8	-10.3	-10.0
Sterling Liquidity	4.6	4.7	1.9	2.0
Ethical	17.1	17.5	11.0	11.4
HSBC Islamic	27.2	27.5	11.0	11.3

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

## Investment report (continued)

### Investment assets

The following tables detail the distribution of each Section's invested assets at the financial year end by fund.

#### BPP Section

Portfolio	Asset Class	Allocation as at 31 Dec 23 (£'000)
Barings Global Private Loan Fund II	Private Credit	16,309
Barings Global Private Loan Fund III	Private Credit	27,588
ICG Senior Debt Partners Fund III	Private Credit	31,964
ICG Senior Debt Partners Fund IV	Private Credit	24,211
Insight Buy and Maintain Credit	Buy and Maintain Credit	152,296
RLAM Buy and Maintain Credit	Buy and Maintain Credit	151,683
Insight High Grade ABS Fund	ABS	118,756
Insight LDI	LDI	217,033
Cash / NCA		162
<b>Total</b>		<b>740,002</b>

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

In June 2023, the BPP Section hit a de-risking trigger, after which the level of liability hedging coverage achieved by the LDI portfolio was increased. Any other changes to the BPP Section's asset allocations over the year were primarily a product of market movements and considered in accordance with the investment strategy and policies as set out in the SIP.

#### Chemetall Section

Portfolio	Asset Class	Allocation as at 31 Dec 23 (£'000)
LGIM Future World Fund	Global Equities	6,405
LGIM Future World Fund - GBP Hedged	Global Equities	6,571
Insight Buy and Maintain Bond Fund	Buy and Maintain Credit	2,086
Insight High Grade ABS Fund	ABS	3,977
Insight LDI Enhanced Selection Longer Nominal Fund	LDI	2,506
Insight LDI Enhanced Selection Longer Real Fund	LDI	2,231
Insight LDI Enhanced Selection Shorter Nominal Fund	LDI	2,415
Insight LDI Enhanced Selection Shorter Real Fund	LDI	2,109
Insight LDI GBP Liquidity Plus Holding Fund	Cash	1,771
<b>Total</b>		<b>30,071</b>

*Excludes AVC investments and cash held in the Trustee bank account. Figures may not sum due to rounding.* Changes to the Chemetall Section's asset allocations over the year were primarily a product of market movements. Any other changes were considered in accordance with the investment strategy and policies as set out in the SIP.

## Investment report (continued)

### Group Section

The following tables detail the distribution of the Group Section's invested assets at the financial year end by fund.

Portfolio	Asset Class	Allocation as at 31 Dec 23 (£'000)
Barings Global Private Loan Fund II	Private Credit	16,309
Barings Global Private Loan Fund III	Private Credit	22,990
Insight Buy and Maintain Credit	Buy and Maintain Credit	84,385
RLAM Buy and Maintain Credit	Buy and Maintain Credit	103,161
Insight High Grade ABS Fund	ABS	114,968
Insight LDI	LDI	110,017
Cash / NCA		(260)
<b>Total</b>		<b>451,570</b>

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

Changes to the Group Section's asset allocations over the year were primarily a product of market movements and considered in accordance with the investment strategy and policies as set out in the SIP.

### Transaction costs

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

### Trustee's policies in relation to 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 report (continued)

### Trustee's policies on environmental, social and governance and ethical factors

The Trustee has considered how ESG and ethical factors (including, but not limited to climate change) should be taken into account 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 the SIP 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's policy on the implementation of asset manager arrangements

The Trustee delegates the day-to-day management of the assets to a number of 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.

### *Group & BPP Section*

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

### *Chemetail Section*

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds. However, the Trustee encourages its managers to improve their practices where appropriate.

The Trustee's 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.

## Investment report (continued)

It is the Trustee's 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.

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 advisers to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

## Employer-related investments

### *Group, BPP, & Chemetall Sections*





As at 31 December 2023 there were no assets invested in Employer-related investments in each Section, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

### *Combined DC Sections*

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 Gallagher Benefit Services PO Box 319 (Bristol) Mitcheldean GL14 9BF		<a href="mailto:basf@buck.com">basf@buck.com</a>
			0330 123 0647
			<a href="http://www.buckhrsolutions.co.uk/basf">www.buckhrsolutions.co.uk/basf</a>

**The Trustee's report (pages 2 to 19), and Implementation Statement (pages 62 to 75) were approved by the Trustee on 9 July 2024 and signed on its behalf by:**

**Melanie Newbould**  
Trustee Director

**Kevin Crabtree**  
Trustee Director

## DC Governance Statement

### Introduction

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 2023 to 31 December 2023.

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.

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.

The SIP was reviewed and updated in July 2023 as part of a regular programme of review. The changes related to referencing the Trustee's stewardship priorities (as detailed in the Implementation Statement) and other minor amendments. The Trustee took advice from its DC Investment Adviser when reviewing the SIP.

### 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.

### [Asset Allocation Disclosure as at 31 December 2023](#)

The Trustee makes available asset allocation information on the Scheme’s funds through quarterly factsheets which are available to members online. Additionally, as part of changes introduced through the Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023, the Trustee is required to set out in this Statement the asset allocation of investments in default arrangements, at prescribed member ages. This is set out below. Note that as the strategic asset allocation of the Scheme’s default investment arrangement does not change until a member is 5 years away from their target retirement date, the asset allocation at ages 25, 45, and 55 is identical.

Asset Class	Allocation			
	Age 25 (%)	Age 45 (%)	Age 55 (%)	age 65 (%)
Cash	0.7	0.7	0.7	23.1
Bonds (corporate and government)	22.3	22.3	22.3	30.7
Listed Equities	71.1	71.1	71.1	43.4
Private Equity	0.0	0.0	0.0	0.0
Infrastructure	0.0	0.0	0.0	0.0
Property/Real Estate	2.4	2.4	2.4	1.1
Private Debt/Credit	0.0	0.0	0.0	0.0
Other	3.5	3.5	3.5	1.7

*Source: Investment managers. “Other” category includes commodities, currency, and insurance-linked securities. Note that the Scheme does invest in some private equity and infrastructure assets on an indirect basis, though as these are publicly listed vehicles (e.g. private equity and infrastructure company shares) they are categorised as listed equities.*

### [Review of the Default Investment Arrangement](#)

The Trustee undertakes a strategic review of the default investment strategy on a triennial basis, or more frequently if required. The last strategic review of the investment strategy was completed in 2022. For completeness, the review activity during 2022 included:

**Risk analysis:** 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 in January 2023. All members affected received a communication on the changes. The next formal triennial review is scheduled for 2025, or sooner if there is a significant change in the membership profile or other material circumstances of the Scheme.

### Other Investment Governance activity

Over the year to 31 December 2023, 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.

During the year, the DC Committee also met with four of the investment managers to the DC Section. This allowed the DC Committee to discuss performance, monitor risks, and to test the continued suitability of the investment managers to meet the objectives of their respective mandates.

### 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.

<b>Default strategy – Moderate Flexible Income LifePlan - returns (net of fees) % p.a.</b>				
<b>Age of Member</b>	<b>1 Year</b>	<b>5 Years</b>	<b>Since Inception</b>	<b>Inception Date</b>
Up to age 60 (Moderate Fund)	8.3	9.2	7.9	1 April 2014
Age 65	6.2	3.6	3.5	1 April 2014

<b>FreePlan (self-select) funds - returns (net of fees) % p.a.</b>				
<b>Fund</b>	<b>1 Year</b>	<b>5 Years</b>	<b>Since Inception</b>	<b>Inception Date</b>
Moderate	8.3	9.2	7.9	1 April 2014
Adventurous	7.1	6.4	5.3	1 April 2014
Cautious	6.7	4.3	4.3	1 April 2014
Ethical	17.1	13.8	12.2	1 April 2014
Islamic	27.2	16.6	14.5	1 April 2014
Sterling Liquidity	4.6	1.3	0.9	1 April 2014
Pre-Retirement Annuity	7.4	-2.1	2.0	1 April 2014

Source: Scottish Widows. Fund returns shown net of all member-borne charges and costs.



### **Internal Controls and Core Financial Transactions**

The Scheme has appointed a professional third-party administrator, Gallagher Benefit Services (formerly Buck, A Gallagher Company).

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 2023, the average percentage level of SLAs achieved across the Scheme stood at 97%. The average level for “DC processing” transactions was 99%.

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 also provides reporting each quarter on core financial transaction performance. This shows how many instances of different transaction types (e.g. investment switches, transfers out) are processed within target.

The quarterly administration reports include commentary on any service issues or trends. In addition, the Administration Services and Governance Committee takes a proactive approach to questioning the administrator about their service levels.

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 auditor tests how lifestyle de-risking switches are checked for accuracy and timeliness by the Scheme’s administrator.

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

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.

The Trustee is pleased to confirm that all Scheme operations have been maintained successfully during the year. All monthly contributions have been paid on time. Key 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.

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 2023. Funds used as part of the default investment option are shown in blue.

Fund	TER* (% p.a.)	Transaction Costs** (%)
Adventurous	0.409	0.01
Moderate	0.396	0.09
Cautious	0.304	0.06
Pre-Retirement Annuity	0.142	0.00
Sterling Liquidity	0.135	-0.30
Ethical	0.277	0.00
Islamic	0.377	0.00

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, while a positive figure is effectively a cost from trading.

There are no performance-based fee structures in place within the Scheme.

### 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.

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 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
- Time
- Real terms investment return gross of costs and charges
- Adjustment for the effect 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 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.

Age	Default arrangement & most popular investment strategy		Fund with the highest charges available as a FreePlan (self-select) option		Fund with the lowest charges available as a FreePlan (self-select) option	
	Moderate Flexible Income LifePlan		Moderate Fund		Sterling Liquidity Fund	
	Pot size with no charges incurred (£)	Pot size with charges incurred (£)	Pot size with no charges incurred (£)	Pot size with charges incurred (£)	Pot size no with charges incurred (£)	Pot size with charges incurred (£)
21	0	0	0	0	0	0
25	20,650	20,350	20,650	20,350	18,850	18,790
30	51,340	49,830	51,340	49,830	41,750	41,480
35	88,310	84,380	88,310	84,380	64,010	63,400
40	132,610	124,700	132,610	124,700	85,750	84,690
45	185,510	171,610	185,510	171,610	107,080	105,480
50	248,440	226,000	248,440	226,000	128,110	125,870
55	323,080	288,890	323,080	288,890	148,930	145,970
60	411,370	361,440	411,370	361,440	169,640	165,890
61	429,560	376,200	430,870	377,220	173,780	169,860
62	446,950	390,280	451,010	393,440	177,910	173,830
63	462,010	402,480	471,830	410,130	182,050	177,800
64	474,480	412,640	493,350	427,290	186,190	181,760
65	484,920	421,180	515,590	444,940	190,330	185,730

- 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 last 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. £30,000 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 5 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 5 year period to 31/12/2023.
- 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.

### 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 8 May 2024, 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
- Net of cost investment performance
- Investment manager and platform provider ratings
- Additional member services, including at retirement options, services, and member tools
- Transaction costs
- Administration performance
- Governance arrangements
- Fund range available to members

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 encompassed both dedicated training items as well as discussion of the "DC Current Issues" paper provided by the DC adviser. The topics included:

- Changes to Statutory Money Purchase Illustrations, in particular the way that investment return assumptions are required to be set (1 March 2023).
- The Retirement Living Standards published by the Pension and Lifetime Savings Association (PLSA), and the impact of higher inflation on the cost of living in retirement (1 March 2023).
- Environmental, social, and governance matters, with a focus on climate change and the requirements to prepare disclosures under the Taskforce on Climate-Related Financial Disclosures (TCFD) framework (1 March 2023) and on new developments in sustainable investment funds (4 July 2023).
- The Statement of Investment Principles (4 July 2023).
- The Government's "Mansion House" pension reforms (25 October 2023).
- Changes to the Value for Members assessment framework (25 October 2023).

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. A review of the SIP was undertaken during the year, as noted earlier, and this was discussed at the DC Committee meeting held on 4 July 2023 before the SIP was tabled for approval by the Trustee Board. The DC Committee and wider Trustee Board used the SIP review as an 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 review of the DC Committee Terms of Reference was completed shortly following the Scheme year end, in January / February 2024.

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 2023 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.

*G.P. Suckling*

**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 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)
<b>Contributions required under the Schedules of Contributions</b>					
Normal contributions (employer)	-	-	-	3,479	3,479
Salary sacrifice contributions (employer)	-	-	-	2,124	2,124
Normal contributions (employee) *	-	-	-	8	8
Deficit funding	-	1,360	-	-	1,360
<b>As reported on by the Scheme auditors</b>	<b>-</b>	<b>1,360</b>	<b>-</b>	<b>5,611</b>	<b>6,971</b>
<b>Other contributions</b>					
Bonus and redundancy sacrifice contributions	-	-	-	1,648	1,648
NI savings paid into member accounts	-	-	-	200	200
Additional – to cover expenses	-	-	-	-	-
Salary sacrifice additional voluntary contributions	-	-	-	812	812
Additional voluntary contributions (employee) *	-	-	-	50	50
<b>Total other Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,710</b>	<b>2,710</b>
<b>Total reported in the financial statements</b>	<b>-</b>	<b>1,360</b>	<b>-</b>	<b>8,321</b>	<b>9,681</b>

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

Approved by the Trustee on 9 July 2024 and signed on their behalf by:

**Melanie Newbould**  
Trustee Director

**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 Schedules of Contributions for the Scheme year ended 31 December 2023 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 18 February 2022.

We have examined BASF UK Group Pension Scheme's summary of contributions for the Scheme year ended 31 December 2023 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  
[DD-MM-YYYY]

## 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 2023, 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 within the Annual Report & Financial Statements, which comprise: the Statement of Net Assets (Available for Benefits) as at 31 December 2023; 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.

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

## Report on the audit of the financial statements (continued)

### Reporting on other information

The other information comprises all of the information in the Annual Report & 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.

## Report on the audit of the financial statements (continued)

### *Auditors' responsibilities for the audit of the financial statements (continued)*

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. 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](http://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

## Fund Account for the year ended 31 December 2023

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)	Total 2022 (£'000)
<b>Contributions and benefits</b>						
Employer contributions	-	1,360	-	8,263	<b>9,623</b>	<b>9,895</b>
Employee contributions	-	-	-	58	<b>58</b>	<b>19</b>
Total contributions (5)	-	1,360	-	8,321	<b>9,681</b>	<b>9,914</b>
Transfers in (6)	-	-	-	193	<b>193</b>	<b>215</b>
Other income (7)	6	-	-	376	<b>382</b>	<b>365</b>
	6	1,360	-	8,890	<b>10,256</b>	<b>10,494</b>
Benefits paid (8)	(31,721)	(2,365)	(24,615)	(4,419)	<b>(63,120)</b>	<b>(60,507)</b>
Payments to and on account of leavers (9)	(1,255)	(309)	(78)	(22,172)	<b>(23,814)</b>	<b>(31,118)</b>
Administrative expenses (10)	(14)	-	(8)	(21)	<b>(43)</b>	<b>(5)</b>
	(32,990)	(2,674)	(24,701)	(26,612)	<b>(86,977)</b>	<b>(91,630)</b>
<b>Net (withdrawals) from dealings with members</b>	<b>(32,984)</b>	<b>(1,314)</b>	<b>(24,701)</b>	<b>(17,722)</b>	<b>(76,721)</b>	<b>(81,136)</b>
<b>Returns on investments</b>						
Investment income (11)	24,945	2,087	13,321	27	<b>40,380</b>	<b>35,158</b>
Change in market value of investments (12)	13,097	541	16,357	19,712	<b>49,707</b>	<b>(584,850)</b>
Investment management expenses (13)	(1,721)	(30)	(1,171)	-	<b>(2,922)</b>	<b>(3,130)</b>
<b>Net returns on investments</b>	<b>36,321</b>	<b>2,598</b>	<b>28,507</b>	<b>19,739</b>	<b>87,165</b>	<b>(552,822)</b>
Net increase /(decrease) in the fund	3,337	1,284	3,806	2,017	<b>10,444</b>	<b>(633,958)</b>
Opening net assets	<b>740,662</b>	<b>29,518</b>	<b>449,337</b>	<b>248,717</b>	<b>1,468,234</b>	<b>2,102,192</b>
Transfers between sections (15)	-	-	208	(208)	-	-
<b>Closing net assets</b>	<b>743,999</b>	<b>30,802</b>	<b>453,351</b>	<b>250,526</b>	<b>1,478,678</b>	<b>1,468,234</b>

## Statement of Net Assets (Available for Benefits) as at 31 December 2023

	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)	Total 2022 (£'000)
<b>Investment assets (12)</b>						
Equities	125	-	-	-	125	104
Bonds	779,303	-	415,622	-	1,194,925	1,051,849
Pooled investment vehicles (16)	223,738	30,071	158,067	248,244	660,120	653,864
Derivatives (17)	81,741	-	17,245	-	98,986	111,117
AVC investments (18)	-	206	732	439	1,377	1,719
Cash and cash equivalents (19)	4,850	-	8,191	-	13,041	14,282
Other investment balances (20)	6,052	-	3,554	-	9,606	10,430
Amounts receivable under reverse repurchase agreements (20)	-	-	3,258	-	3,258	21,323
	1,095,809	30,277	606,669	248,683	1,981,438	1,864,688
<b>Investment liabilities (12)</b>						
Derivatives (17)	(160,941)	-	(17,220)	-	(178,161)	(273,321)
Cash and cash equivalents (19)	(943)	-	(5,044)	-	(5,987)	(7,175)
Other investment balances (20)	-	-	(327)	-	(327)	(327)
Obligation to return bonds (20)	-	-	(3,394)	-	(3,394)	-
Amounts due under repurchase agreements (20)	(193,923)	-	(128,382)	-	(322,305)	(134,467)
	(355,807)	-	(154,367)	-	(510,174)	(415,290)
<b>Total investments</b>	<b>740,002</b>	<b>30,277</b>	<b>452,302</b>	<b>248,683</b>	<b>1,471,264</b>	<b>1,449,398</b>
Current assets (26)	4,735	531	3,276	2,051	10,593	23,017
Current liabilities (27)	(738)	(6)	(2,227)	(208)	(3,179)	(4,181)
<b>Total net assets available for benefits</b>	<b>743,999</b>	<b>30,802</b>	<b>453,351</b>	<b>250,526</b>	<b>1,478,678</b>	<b>1,468,234</b>

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 38 to 61 were approved by the Trustee on 9 July 2024 and signed on their behalf by:

**Melanie Newbould**  
Trustee Director

**Kevin Crabtree**  
Trustee Director

*The notes on pages 40 to 65 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 Gallagher Benefit Services PO Box 319 (Bristol) Mitcheldean GL14 9BF	✉	<a href="mailto:basf@buck.com">basf@buck.com</a>
		📞	0330 123 0647
		🌐	<a href="http://www.buckhrsolutions.co.uk/basf">www.buckhrsolutions.co.uk/basf</a>

#### *Basis of preparation of the financial statements*

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 2022 (£'000)
<b>Contributions and benefits</b>					
Employer contributions	-	1,382	-	8,513	<b>9,895</b>
Employee contributions	-	-	-	19	<b>19</b>
Total contributions (5)	-	1,382	-	8,532	<b>9,914</b>
Transfers in (6)	-	-	-	215	<b>215</b>
Other income (7)	56	-	-	309	<b>365</b>
	56	1,382	-	9,056	<b>10,494</b>
Benefits paid (8)	(30,579)	(2,214)	(23,921)	(3,793)	<b>(60,507)</b>
Payments to and on account of leavers (9)	(10,154)	(1,049)	(4,174)	(15,741)	<b>(31,118)</b>
Administrative expenses (10)	(2)	-	(2)	(1)	<b>(5)</b>
	(40,735)	(3,263)	(28,097)	(19,535)	<b>(91,630)</b>
<b>Net withdrawals</b>	<b>(40,679)</b>	<b>(1,881)</b>	<b>(28,097)</b>	<b>(10,479)</b>	<b>(81,136)</b>
<b>Returns on investments</b>					
Investment income (11)	22,220	240	12,697	1	<b>35,158</b>
Change in market value of investments (12)	(373,980)	(16,146)	(170,431)	(24,293)	<b>(584,850)</b>
Investment management expenses (13)	(1,883)	(80)	(1,167)	-	<b>(3,130)</b>
<b>Net returns on investments</b>	<b>(353,643)</b>	<b>(15,986)</b>	<b>(158,901)</b>	<b>(24,292)</b>	<b>(552,822)</b>
<b>Net decrease in the fund</b>					
Transfers between sections (15)	-	-	(77)	77	-
Opening net assets	1,134,984	47,385	636,412	283,411	2,102,192
<b>Closing net assets</b>	<b>740,662</b>	<b>29,518</b>	<b>449,337</b>	<b>248,717</b>	<b>1,468,234</b>

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

## 5. Contributions

2023 Contribution Data	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
<b>Employer contributions</b>					
Normal	-	-	-	3,479	<b>3,479</b>
Salary sacrifice	-	-	-	2,124	<b>2,124</b>
Bonus and redundancy sacrifice contributions	-	-	-	1,648	<b>1,648</b>
NI savings paid into member accounts	-	-	-	200	<b>200</b>
Sal. sacrifice - Additional voluntary contributions	-	-	-	812	<b>812</b>
Additional to cover expenses	-	-	-	-	-
Deficit funding	-	1,360	-	-	<b>1,360</b>
	-	1,360	-	8,263	<b>9,623</b>
<b>Employee contributions</b>					
Normal	-	-	-	8	<b>8</b>
Additional voluntary contributions	-	-	-	50	<b>50</b>
	-	-	-	58	<b>58</b>
	-	1,360	-	8,321	<b>9,681</b>

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

No future deficit funding contributions are due under both BPP and Group DB Sections Schedules of Contributions, which were certified by the Actuary on 18 February 2022.

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, in accordance with the Schedule of Contributions.

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.

## 6. Transfers in

2023 Transfer In Data	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Individual transfers in	-	-	-	193	<b>193</b>
	-	-	-	193	<b>193</b>

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	<b>215</b>
	-	-	-	215	<b>215</b>

## 7. Other income

2023 Other income	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Claims on term insurance policies	-	-	-	374	<b>374</b>
Fees receivable	6	-	-	2	<b>8</b>
	6	-	-	376	<b>382</b>

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	<b>306</b>
Sundry income	52	-	-	-	<b>52</b>
Fees receivable	4	-	-	3	<b>7</b>
	56	-	-	309	<b>365</b>

## 8. Benefits paid

2023 Benefits paid	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Pensions	29,202	1,861	22,491	-	<b>53,554</b>
Commutation of pensions and lump sum retirement benefits	2,492	504	2,116	2,343	<b>7,455</b>
Purchase of annuities	-	-	-	875	<b>875</b>
Lump sum death benefits	27	-	8	1,201	<b>1,236</b>
	31,721	2,365	24,615	4,419	<b>63,120</b>

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	-	<b>51,832</b>
Commutation of pensions and lump sum retirement benefits	2,371	403	2,044	2,181	<b>6,999</b>
Purchase of annuities	-	-	-	431	<b>431</b>
Lump sum death benefits	43	8	13	1,154	<b>1,218</b>
Taxation where lifetime or annual allowance exceeded	-	-	-	27	<b>27</b>
	30,579	2,214	23,921	3,793	<b>60,507</b>

## 9. Payments to and on account of leavers

2023 Payments on account of leavers	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Individual transfers out	1,255	309	78	22,172	<b>23,814</b>
	1,255	309	78	22,172	<b>23,814</b>

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	<b>29,386</b>
Group transfers out to other schemes	-	-	-	1,732	<b>1,732</b>
	10,154	1,049	4,174	15,741	<b>31,118</b>

## 10. Administrative expenses

2023 Administrative expenses	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Administration and processing	12	-	6	20	<b>38</b>
Other admin expenses	2	-	2	1	<b>5</b>
	14	-	8	21	<b>43</b>

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	<b>5</b>
	2	-	2	1	<b>5</b>

Administration and processing expenses are related to member divorce and transfer transaction fees which are received by the Scheme and then paid to the Administrator. All other costs are borne by the principal employer.

## 11. Investment income

2023 Investment income	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Income from bonds	22,690	-	13,646	-	<b>36,336</b>
Dividends from equities	1	-	(42)	-	<b>(41)</b>
Income from pooled investment vehicles	8,821	2,078	4,152	-	<b>15,051</b>
Annuity income	5	-	33	-	<b>38</b>
Interest expense from repurchase agreements	(6,812)	-	(4,720)	-	<b>(11,532)</b>
Interest on cash deposits	84	9	70	27	<b>190</b>
Other investment income	156	-	182	-	<b>338</b>
	24,945	2,087	13,321	27	<b>40,380</b>

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	-	<b>27,923</b>
Dividends from equities	3	240	(170)	-	<b>73</b>
Income from pooled investment vehicles	4,123	-	2,990	-	<b>7,113</b>
Annuity income	5	-	32	-	<b>37</b>
Interest on cash deposits	5	-	3	1	<b>9</b>
Other investment income	-	-	3	-	<b>3</b>
	22,220	240	12,697	1	<b>35,158</b>

## 12. Reconciliation of investments

BPP DB Section	Value at 1 January 2023 (£'000)	Purchases at cost and derivative payments (£'000)	Sales proceeds and derivative receipts (£'000)	Change in market value (£'000)	Value at 31 December 2023 (£'000)
Equities	104	-	-	21	125
Bonds	677,657	155,986	(65,917)	11,577	779,303
Pooled investment vehicles	219,296	85,651	(88,472)	7,263	223,738
Derivatives	(127,467)	69,436	(15,390)	(5,779)	(79,200)
	769,590	311,073	(169,779)	13,082	923,966
Cash and cash equivalents	2,823			15	3,907
Other investment balances	(42,856)			-	(187,871)
	729,557			13,097	740,002

Chemetall DB Section	Value at 1 January 2023 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in market value (£'000)	Value at 31 December 2023 (£'000)
Pooled investment vehicles	28,701	6,311	(5,487)	546	30,071
AVC investments	521	-	(310)	(5)	206
	29,222	6,311	(5,797)	541	30,277
Cash and cash equivalents	6			-	-
	29,228			541	30,277

Group DB Section	Value at 1 January 2023 (£'000)	Purchases at cost and derivative payments (£'000)	Sales proceeds and derivative receipts (£'000)	Change in market value (£'000)	Value at 31 December 2023 (£'000)
Bonds	374,192	66,741	(34,760)	9,449	415,622
Pooled investment vehicles	159,934	52,310	(61,491)	7,314	158,067
Derivatives	(34,737)	39,955	(4,727)	(466)	25
AVC investments	763	-	(38)	7	732
	500,152	159,006	(101,016)	16,304	574,446
Cash and cash equivalents	4,278			53	3,147
Other investment balances	(60,185)			-	(121,897)
Obligation to return bonds	-				(3,394)
	444,245			16,357	452,302

Combined DC Sections	Value at 1 January 2023 (£'000)	Purchases at cost (£'000)	Sales proceeds (£'000)	Change in market value (£'000)	Value at 31 December 2023 (£'000)
Pooled investment vehicles	245,933	23,540	(40,937)	19,708	248,244
AVC investments	435	-	-	4	439
	246,368	23,540	(40,937)	19,712	248,683

Within the Combined Sections DC pooled investment vehicles totalling £248,244k (2022: £245,933k) are assets unallocated to members totalling £157k (2022: £146k).

## 12. Reconciliation of investments (continued)

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

2023 Investment manager expenses	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Administration, management and custody	1,721	30	1,171	-	2,922

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

## 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

2023 Transfers between sections	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Transfers between sections	-	-	208	(208)	-

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	-

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

2023 Pooled investment vehicles	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Equity	-	12,976	-	94,563	107,539
Bond	218,828	2,086	154,267	26,543	401,724
Diversified growth	-	-	-	109,888	109,888
LDI	-	13,239	-	-	13,239
Cash	4,910	1,770	3,800	17,250	27,730
	223,738	30,071	158,067	248,244	660,120

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



## 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:

2023 Derivatives	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
<b>Derivative assets</b>					
Futures	42	-	-	-	42
Swaps	79,836	-	16,795	-	96,631
Forward FX contracts	1,863	-	450	-	2,313
	<u>81,741</u>	<u>-</u>	<u>17,245</u>	<u>-</u>	<u>98,986</u>
<b>Derivative assets</b>					
Futures	-	-	(19)	-	(19)
Swaps	(160,912)	-	(17,201)	-	(178,113)
Forward FX contracts	(29)	-	-	-	(29)
	<u>(160,941)</u>	<u>-</u>	<u>(17,220)</u>	<u>-</u>	<u>(178,161)</u>
	<u>(79,200)</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>(79,175)</u>

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

### 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	779	3 months	42	-
<b>Total 2023</b>		<u>779</u>		<u>42</u>	<u>-</u>
Total 2022		<u>749</u>		<u>-</u>	<u>(49)</u>

Group DB Section	No. of contracts	Economic exposure (£'000)	Expires	Asset value (£'000)	Liability value (£'000)
Overseas Fixed Interest Futures	2	770	3 months	-	(19)
<b>Total 2023</b>		<u>770</u>		<u>-</u>	<u>(19)</u>
Total 2022		<u>1,004</u>		<u>1</u>	<u>-</u>

## 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	65	795,263	4-49 years	49,318	(143,599)
Inflation rate swaps	53	504,151	4-49 years	30,518	(17,313)
<b>Total 2023</b>		<u>1,299,414</u>		<u>79,836</u>	<u>(160,912)</u>
Total 2022		<u>1,341,404</u>		<u>85,413</u>	<u>(215,682)</u>

Under the OTC interest rate swaps, the Scheme had pledged collateral in the form of bonds at the year-end amounting to £81,113k (2022: £134,485k) and counterparties had deposited collateral in the form of bonds and cash of £nil (2022: £nil) and £3,465k (2022: £nil) respectively 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	28	138,774	1-50 years	6,146	(16,613)
Inflation rate swaps	23	139,367	4-41 years	10,649	(588)
<b>Total 2023</b>		<u>278,141</u>		<u>16,795</u>	<u>(17,201)</u>
Total 2022		<u>469,440</u>		<u>21,933</u>	<u>(57,532)</u>

Under the OTC interest rate swaps, the Scheme had pledged collateral in the form of bonds and cash at the year-end amounting to £3,108k (2022: £43,305k) and £430k (2022: £nil) respectively and counterparties had deposited collateral in the form of bonds and cash of £2,436k (2022: £ nil) and £1,069k (2022: £657k) respectively 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 2024 to February 2024	2	GBP 1,492	EUR 1,713	6	-
January 2024 to February 2024	7	GBP 51,743	USD 63,603	1,857	-
February 2024	2	USD 771	GBP 634	-	(29)
<b>Total 2023</b>	11			<u>1,863</u>	<u>(29)</u>
Total 2022				<u>2,885</u>	<u>(34)</u>

Group DB Section Settlement Date	No. of contracts	Currency bought	Currency sold	Asset value (£'000)	Liability value (£'000)
January 2024 to February 2024	2	GBP 1,598	EUR 1,830	10	-
January 2024 to February 2024	5	GBP 13,741	USD 16,959	440	-
January 2024 to February 2024	1	EUR 55	GBP 47	-	-
<b>Total 2023</b>	8			<u>450</u>	<u>-</u>
Total 2022				<u>885</u>	<u>(24)</u>

## 18. AVC investments

2023 AVC investments	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
Utmost Life (Formerly The Equitable Life Assurance Society)	-	-	-	3	3
Prudential Assurance Company Limited	-	206	732	436	1,374
	-	206	732	439	1,377

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

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 2023, amounted to £13,759k (2022: £13,636k). AVC investments invested with the other AVC managers are shown above.

## 19. Cash and cash equivalents

2023 Cash and cash equivalents	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
<b>Cash assets</b>					
Sterling	4,706	-	4,479	-	9,185
Foreign currency	55	-	1	-	56
Margin accounts	89	-	3,711	-	3,800
	4,850	-	8,191	-	13,041
<b>Cash liabilities</b>					
Sterling	-	-	(1,765)	-	(1,765)
Margin accounts	(943)	-	(3,279)	-	(4,222)
	(943)	-	(5,044)	-	(5,987)
	3,907	-	3,147	-	7,054

2022 Cash and cash equivalents	BPP DB Section (£'000)	Chemetall DB Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2022 (£'000)
<b>Cash assets</b>					
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
<b>Cash liabilities</b>					
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

## 20. Other investment balances

2023 Other investment balances	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total 2023 (£'000)
<b>Other investment balances assets</b>					
Accrued income	5,995	-	3,465	-	<b>9,460</b>
Other receivables	46	-	89	-	<b>135</b>
Insurance policies	11	-	-	-	<b>11</b>
Amount receivable under reverse repurchase agreements	-	-	3,258	-	<b>3,258</b>
	<u>6,052</u>	<u>-</u>	<u>6,812</u>	<u>-</u>	<u><b>12,864</b></u>
<b>Other investment balances liabilities</b>					
Amount payable in respect of repurchase agreements	(193,923)	-	(128,382)	-	<b>(322,305)</b>
Other investment balances	-	-	(327)	-	<b>(327)</b>
Obligation to return bonds	-	-	(3,394)	-	<b>(3,394)</b>
	<u>(193,923)</u>	<u>-</u>	<u>(132,103)</u>	<u>-</u>	<u><b>(326,026)</b></u>
	<u>(187,871)</u>	<u>-</u>	<u>(125,291)</u>	<u>-</u>	<u><b>(313,162)</b></u>

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

As at 31 December 2023, £351,480k (2022: £100,917k) of bonds reported in Scheme assets are held by counterparties under repurchase agreements. The value of collateral held on these contracts was £32,459k (2022: negative £15,570k) and the collateral held is also in the form of UK Government bonds.

## 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:

2023 Defined Contribution assets	BPP DC Section (£'000)	Group DC Section (£'000)	Total 2023 (£'000)
Members' normal investments	36,554	197,774	<b>234,328</b>
Members' AVC investments	4,627	9,132	<b>13,759</b>
Trustee unallocated account	136	21	<b>157</b>
	<u>41,317</u>	<u>206,927</u>	<u><b>248,244</b></u>

2022 Defined Contribution assets	BPP DC Section (£'000)	Group DC Section (£'000)	Total 2022 (£'000)
Members' normal investments	36,937	195,214	<b>232,151</b>
Members' AVC investments	4,704	8,932	<b>13,636</b>
Trustee unallocated account	126	20	<b>146</b>
	<u>41,767</u>	<u>204,166</u>	<u><b>245,933</b></u>

## 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 2022 or 31 December 2023.

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

2023 Fair value determination	Level 1 (£'000)	Level 2 (£'000)	Level 3 (£'000)	Total 2023 (£'000)
<b>BPP DB Section</b>				
Equities	125	-	-	<b>125</b>
Bonds	-	779,303	-	<b>779,303</b>
Pooled investment vehicles	-	123,666	100,072	<b>223,738</b>
Derivatives	42	(79,242)	-	<b>(79,200)</b>
Cash and cash equivalents	3,907	-	-	<b>3,907</b>
Other investment balances	5,995	45	12	<b>6,052</b>
Repurchase and reverse repurchase agreements	-	(193,923)	-	<b>(193,923)</b>
	<u>10,069</u>	<u>629,849</u>	<u>100,084</u>	<u><b>740,002</b></u>
<b>Chemetall Section</b>				
Pooled investment vehicles	-	30,071	-	<b>30,071</b>
AVC investments	-	-	206	<b>206</b>
	<u>-</u>	<u>30,071</u>	<u>206</u>	<u><b>30,277</b></u>
<b>Group DB Section</b>				
Bonds	-	415,622	-	<b>415,622</b>
Pooled investment vehicles	-	118,768	39,299	<b>158,067</b>
Derivatives	(19)	44	-	<b>25</b>
AVC investments	-	16	716	<b>732</b>
Cash and cash equivalents	3,147	-	-	<b>3,147</b>
Other investment balances	3,465	(238)	-	<b>3,227</b>
Obligation to return bonds	-	(3,394)	-	<b>(3,394)</b>
Repurchase and reverse repurchase agreements	-	(125,124)	-	<b>(125,124)</b>
	<u>6,593</u>	<u>405,694</u>	<u>40,015</u>	<u><b>452,302</b></u>
<b>Combined DC Sections</b>				
Pooled investment vehicles	-	248,244	-	<b>248,244</b>
AVC investments	-	-	439	<b>439</b>
	<u>-</u>	<u>248,244</u>	<u>439</u>	<u><b>248,683</b></u>
	<u>16,662</u>	<u>1,313,858</u>	<u>140,744</u>	<u><b>1,471,264</b></u>

## 22. Fair value determination (continued)

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

## 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 professional investment adviser. The Scheme has exposure to the aforementioned risks because of the 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 investment 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	2023 (£'000)	2022 (£'000)
Equities		x		x	125	104
Bonds	x	x	x	x	779,303	677,657
Pooled Investment Vehicles					223,738	219,296
▪ Direct	x	x	x	x		
▪ Indirect	x	x	x	x		
Derivatives	x	x	x	x	(79,200)	(127,467)
Other Investment balances	x		x		6,052	6,390
Repurchase & reverse repurchase agreements	x		x		(193,923)	(49,246)
Cash and cash equivalents	x	x			3,907	2,823
<b>Total investments</b>					<b>740,002</b>	<b>729,557</b>

Chemetall Section	Credit risk	Currency	Interest rate	Other price	2023 (£'000)	2022 (£'000)
Pooled Investment Vehicles					30,071	28,701
▪ Direct	x	x	x	x		
▪ Indirect	x	x	x	x		
AVC Investments	x	x	x	x	206	521
Cash and cash equivalents	x	x			-	6
<b>Total investments</b>					<b>30,277</b>	<b>29,228</b>

Group DB Section	Credit risk	Currency	Interest rate	Other price	2023 (£'000)	2022 (£'000)
Bonds (net)	x	x	x	x	415,622	374,192
Pooled Investment Vehicles					158,067	159,934
▪ Direct	x	x	x	x		
▪ Indirect	x	x	x	x		
Derivatives	x	x	x	x	25	(34,737)
Other Investment balances	x		x		3,227	3,713
Repurchase & reverse repurchase agreements	x		x		(128,518)	(63,898)
AVC Investments	x	x	x	x	732	763
Cash and cash equivalents	x	x			3,147	4,278
<b>Total investments</b>					<b>452,302</b>	<b>444,245</b>

#### 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 Scheme's Investment Advisers, decides on the overall allocation of assets between the various asset classes, 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% pa basis. Having considered the maturity, cash flow profile and funding level, as well as the Trustee's view of the covenant of the Employer, the Trustee aims to achieve this target by 31 December 2031 for the BPP and Chemetall Section, and 31 December 2026 for the Group Section.

### 23. Investment risk disclosures (continued)

#### *Investment strategy (continued)*

##### BPP Section

For the BPP 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. The Trustee, in agreement with the relevant Employer, has agreed to implement a de-risking policy, which is based on the long-term gilts+0.25% pa funding level. The de-risking policy acts to reduce risk when the relevant funding level increases.

##### Group Section

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.

##### Chemetall Section

For the Chemetall Section, the Trustee, in agreement with the relevant Employer, has agreed to implement a de-risking policy, which is based on either the return required to reach full funding on a gilts+0.25% pa basis by the Chemetall Section's respective target date or the long-term gilts+0.25% pa funding level. The de-risking policy acts to reduce risk when the required return to reach the Chemetall 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. If material deviations between the allocations occur, the Trustee considers with its advisers whether it is appropriate to rebalance the assets. For the BPP and Group Section the split between LDI and ABS mandates is rebalanced at Insight's discretion, aiming to balance collateral adequacy, liquidity risks and generating investment returns. 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.

#### *Direct Credit risk – Group & BPP Section*

The BPP and Group Section are subject to credit risk through its investments 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 investments.

As at 31 December 2023, around 100% of the BPP and Group Section's assets (2022: BPP Section: 100%; Group Section: 100%) were invested in funds or securities that are significantly exposed to credit risk.

The managers of the sole investor bond portfolios 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 portfolio will vary over time, as the manager changes the underlying investments in line with its views on markets and specific securities.

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments and repurchase agreements to match the BPP and Group Section's 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 so as to aim to limit credit risk to one day's market movements.



### 23. Investment risk disclosures (continued)

#### *Direct Credit risk – Group & BPP Section (continued)*

The BPP and Group Section's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Section's investments across a number of pooled funds.

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 Trustee also carries out due diligence checks on new appointments of investment managers and custodians for sole investor arrangements and on an ongoing basis monitors any changes to the operating environment of these entities.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into 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 safe-keeping, monitoring and reconciliation of documentation relating to these securities.

#### *Direct credit risk – Pooled funds - Chemetall Section*

The Chemetall Section is subject to credit risk through its investments in pooled investment vehicles. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds. It is directly exposed to the credit risk of the insurance company for any pooled vehicles structured as life policies.

The Chemetall Section's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Chemetall Section's investments across a number of pooled funds. 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 safe-keeping of the assets and facilitate all transactions entered into 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 safe-keeping, monitoring and reconciliation of documentation relating to these securities. A summary of pooled investment vehicles by type of arrangement is as follows:

2023	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Total 2023 (£'000)
Open ended investment companies	123,666	7,833	118,768	<b>250,267</b>
Shares in limited partnerships	100,072	-	39,299	<b>139,371</b>
Unit-linked life insurance policy	-	12,976	-	<b>12,976</b>
Irish ICAV	-	9,262	-	<b>9,262</b>
	<b>223,738</b>	<b>30,071</b>	<b>158,067</b>	<b>411,876</b>

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	<b>245,046</b>
Shares in limited partnerships	96,792	-	42,338	<b>139,130</b>
Unit-linked life insurance policy	-	13,105	-	<b>13,105</b>
Irish ICAV	-	10,650	-	<b>10,650</b>
	<b>219,296</b>	<b>28,701</b>	<b>159,934</b>	<b>407,931</b>

### 23. Investment risk disclosures (continued)

#### *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.

#### Group & BPP Section

The indirect exposure to credit risk arises from the BPP Section's investments in the Barings Global Private Loans Fund II, Barings Global Private Loan Fund III, ICG Senior Debt Partners Fund III, ICG Senior Debt Partners Fund IV, and Insight High Grade ABS Fund. The indirect exposure to credit risk arises from the Group Section's investments in the Barings Global Private Loan Fund II, Barings Global Private Loan Fund III and Insight High Grade ABS 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. 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, sectors, and specific securities.

#### Chemetall Section

The indirect exposure to credit risk arises from the Chemetall Section's investments in the Insight Buy and Maintain Fund, Insight High Grade ABS Fund, Insight LDI Enhanced Selection Longer Nominal Fund, Insight LDI Enhanced Selection Longer Real Fund, Insight LDI Enhanced Selection Shorter Nominal Fund and Insight LDI Enhanced Selection 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.

As at 31 December 2023, around 51% (2022: 51%) of the Chemetall Section's assets were invested in funds or securities that are significantly exposed to credit risk.

#### *Indirect credit risk – Bonds (continued)*

#### Chemetall Section (continued)

The amount invested in each of these mandates is shown in the table at the above of this section within the Market risk section.

#### *Indirect credit risk – Derivatives and repurchase agreements – Chemetall Section*

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments and repurchase agreements to match the Chemetall Section's 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 so as to aim to limit credit risk to one day's market movements.

### 23. Investment risk disclosures (continued)

#### Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

#### Group & BPP Section

Whilst the majority of the currency exposure of the assets is to Sterling, both Sections are subject to currency risk because some 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 that exists diversifies the strategy and is appropriate. All of the Section's pooled funds are accessed via a Sterling share class. Further, the currency exposure that exists (direct and indirect) via the investments in overseas securities (e.g., bonds) is generally hedged back to Sterling with minimal net exposure to overseas investments. Thus the Scheme has negligible exposure to net direct and indirect currency risk.

As at 31 December 2023, 0% (2022: 0%) of the BPP Section's invested assets were invested in funds or securities that are significantly exposed to currency risk, around 0% (2022: 0%) of the Group Section's invested assets (i.e., excluding annuities) were invested in funds or securities that are significantly exposed to currency risk.

#### Chemetall Section

Whilst the majority of the currency exposure of the Section's assets is to Sterling, the Section is subject to currency risk because some 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 that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure or implement separate currency hedging arrangements.

All of the Section's pooled funds are accessed via a Sterling share class. Therefore, the Section is not subject to direct currency risk. The Chemetall Section's assets that are exposed to indirect currency risk are the LGIM Future World Fund (unhedged version), which invest in non-Sterling investments that are not currency hedged. The amount invested in each of these mandates is shown in the table at the end of this section.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

As at 31 December 2023, around 21% (2022: 23%) of the Chemetall Section's invested assets were invested in funds or securities that are significantly exposed to indirect currency risk.

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

BPP Section	Direct exposure (£'000)	Indirect exposure (£'000)	Hedging (£'000)	2023 Net exposure after hedging (£'000)	2022 Net exposure after hedging (£'000)
Pound sterling (GBP)	683,748	(42,759)	52,601	<b>693,590</b>	<b>684,006</b>
Japanese Yen (JPY)	22	-	-	<b>22</b>	<b>22</b>
US dollars (USD)	49,452	-	(49,281)	<b>171</b>	<b>(711)</b>
Euros (EUR)	1,719	-	(1,486)	<b>233</b>	<b>144</b>
Other currencies	5,258	42,759	-	<b>48,017</b>	<b>52,280</b>
<b>Total</b>	<b>740,199</b>	<b>-</b>	<b>1,834</b>	<b>742,033</b>	<b>735,741</b>
<i>Unhedged foreign currency exposure</i>				<b>6.53%</b>	<b>7.03%</b>

### 23. Investment risk disclosures (continued)

#### Chemetall Section (continued)

Group Section	Direct exposure (£'000)	Indirect exposure (£'000)	Hedging (£'000)	2023 Net exposure after hedging (£'000)	2022 Net exposure after hedging (£'000)
Pound sterling (GBP)	307,311	(15,886)	15,291	306,716	355,905
Japanese Yen (JPY)	-	-	-	-	20
US dollars (USD)	13,312	-	(13,253)	59	52
Euros (EUR)	1,674	-	(1,588)	86	103
Other currencies	2,678	15,886	-	18,564	22,605
<b>Total</b>	<b>324,975</b>	<b>-</b>	<b>450</b>	<b>325,425</b>	<b>378,685</b>
<i>Unhedged foreign currency exposure</i>				<b>5.75%</b>	<b>6.02%</b>

#### Interest rate and inflation rate risk

Interest rate risk and inflation risk is a material risk for the Scheme given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the BPP and Chemetall Section's assets are subject to interest rate risk (both nominal and real interest rates). Most of the Group Section's assets are subject to interest rate risk (both nominal and real interest rates).

However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the BPP and Group Section invests in with material exposure to changes in interest rates are the Insight Buy and Maintain Credit, RLAM Buy and Maintain Credit and Insight LDI mandates.

The only assets the Chemetall Section invests in with material exposure to changes in interest rates are the Insight Buy and Maintain Bond Fund, Insight LDI Enhanced Selection Longer Nominal Fund, Insight LDI Enhanced Selection Longer Real Fund, Insight LDI Enhanced Selection Shorter Nominal Fund and Insight LDI Enhanced Selection Shorter Real Fund.

At 31 December 2023, 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 70% (2022: 72%)
- **Chemetall Section:** approximately 38% (2022: 42%)
- **Group Section:** approximately 65% (2022: 66%)

#### Other price risk

The Scheme's 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 the Scheme as a whole as well as each individual portfolio. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

At 31 December 2023, the following proportions of assets (by Section) were invested in funds or securities that are significantly exposed to other price risk.

- **BPP Section:** approximately 16% (2022: 15%)
- **Chemetall Section:** approximately 56% (2022: 54%)
- **Group Section:** approximately 25% (2022: 24%)

### 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 [Pension Scheme Governance \(basf.com\)](https://www.basf.com/pension-scheme-governance).

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:

	2023 (£'000)	2023 (%)	2022 (£'000)	2022 (%)
<b>DB Sections</b>				
Insight High Grade ABS Fund Open-End Fund GBP	233,724	15.8%	219,013	14.9%
<b>Combined DC</b>				
Moderate for BASF Fund	93,939	6.4%	97,389	6.6%

#### 25. Employer related investments

As at 31 December 2023, none (2022: none) of the investment managers had any direct exposure to BASF holdings (Equities or Bonds). There was a small (less than 0.1%) indirect exposure to BASF SE, the parent of BASF plc (2022: 0.0%) 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

2023	BPP DB Section (£'000)	Chemetail 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	1,800	-	113	207	-	2,120
Prepaid pensions	-	126	1,580	-	-	1,706
Cash in transit	-	-	-	857	-	857
Cash balances	2,935	292	1,583	748	237	5,795
Bank interest	-	-	-	2	-	2
	4,735	531	3,276	1,814	237	10,593

2022	BPP DB Section (£'000)	Chemetail 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

## 27. Current liabilities

2023	BPP DB Section (£'000)	Chemetall Section (£'000)	Group DB Section (£'000)	Combined DC Sections (£'000)	Total (£'000)
Unpaid benefits	466	-	160	13	<b>639</b>
Accrued expenses	107	6	75	-	<b>188</b>
Funds received in advance	87	-	143	-	<b>230</b>
Other creditors	-	-	1	-	<b>1</b>
Amounts due to other sections	78	-	1,848	195	<b>2,121</b>
	<b>738</b>	<b>6</b>	<b>2,227</b>	<b>208</b>	<b>3,179</b>

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

## 28. Related party transactions

The Scheme has received contributions in respect of three (2023: three) Trustee Directors who are contributing members of the Scheme and has paid benefits for three Trustee Directors during the year (2023: three). 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 £87k (2022: £148k).

## 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 £23,201k (2022: £30,265k) in the BPP DB Section and £5,112k (2022: £5,487k) in the Group DB Section.

In the opinion of the Trustee, there were no other capital commitments or contingent liabilities as at 31 December 2023 (31 December 2022 - £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

This Implementation Statement sets out how the Trustee has followed its Statement of Investment Principles (**SIP**) during 2023, including voting and engagement policies, and review of the SIP during the year.

For the BPP DB Section, the Trustee increased interest rate and inflation hedging to 97.5% of the liabilities.

For the Chemetall Section, the Trustee maintained the strategic asset allocation from 2022, with some relocations to ABS and Liquidity Plus funds, after the LDI pooled funds distributed part of the capital as result of two re-leverage event.

There were no overall changes to the DC investment strategy (in terms of asset allocation) during the period covered by this Statement, though the Trustee replaced two of the diversified growth funds (DGFs) within the Scheme’s risk profiled funds with alternative DGFs.

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) Diversity, equity, and inclusion
- 3) Business ethics & transparency

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	July 2023
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 overall investment strategy (in terms of strategic asset allocation) during the period covered by this Statement. However, there were changes to the investment managers / funds used within some of the Scheme's risk profiled funds implemented during the year, following a review of these funds.

### 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 implemented in January 2023.

The SIP was updated in July 2023 as part of a regular programme of review. The changes related to referencing the Trustee's stewardship priorities (as detailed later in this Statement) and other minor amendments. The Trustee took advice from its suitably qualified DC Investment Adviser when reviewing the SIP.

Regulated investment advice was provided to the DC Committee on the new investment manager selections, which were implemented 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.

### 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 currently invest directly in property or other illiquid assets. The Trustee is reviewing the future policy regarding less liquid investments during 2024 and intends to prepare an illiquid investment policy for inclusion in the SIP as part of this review.

### **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.

### **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 1 March 2023.

### **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 hedging trigger was hit in June 2023, and the Trustee decided to increase interest rate and inflation hedging to 97.5% of the liabilities.

For the Chemetall Section, following two re-leverage events from the LDI pooled funds, the Trustee decided to invest the proceeds into the ABS (£0.9m) and Liquidity Plus funds (£0.4m).

### Implementation of the investment arrangements

After implementing of a new Investment Strategy for the Chemetall Section and de-risking of the BPP DB Section in 2022, no changes to the investment managers were done in 2023.

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.

### 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 Adviser, what disinvestments shall be done to meet the Scheme's cash flow requirements. In 2023, 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.

For the Chemetall Section, when needed, funds were taken from the equity funds. This was decided with support of the Investment Adviser because the equity funds became overweighted in comparison with the SIP, as result of outperformance of equities in 2023.

### **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 three 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)

The were no changes to the strategic asset allocation of any section in 2023.

Section	Underlying Funds	New Allocation	Prior Allocation
<b>Group Section</b>	Insight LDI portfolio	49.72	47.69
	Insight Buy & Maintain Credit	18.65	19.60
	Royal London Buy & Maintain Credit	22.80	22.13
	Barings Private Credit funds	8.46	9.23
	Cash balance	0.36	1.34
<b>BPP Section</b>	Insight LDI portfolio	45.25	45.82
	Insight Buy & Maintain Credit	20.52	20.32
	Royal London Buy & Maintain Credit	20.44	19.84
	Barings Private Credit funds	5.76	6.16
	ICG Private Credit funds	7.60	6.39
	Cash balance	0.42	1.46
<b>Chemetail Section</b>	Insight LDI funds	42.71	42.12
	Insight ABS fund	13.10	8.26
	Insight Buy & Maintain Credit	6.87	4.86
	LGIM Future World Fund	36.35	43.63
	Cash balance	0.96	1.13

## 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.

## Voting and Engagement (DC Sections)

### Voting and Engagement Policies

The Trustee maintains a training programme that includes matters relating to ESG and stewardship, and has undertaken beliefs surveys to support maintenance 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.

### 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. However, the DC Committee does question the managers on stewardship activities when they attend meetings. 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 Sustainable Multi Asset	16.67
	Mercer Diversified Growth	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 Sustainable Multi Asset	10.84
	Mercer Diversified Growth	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	
L&G Future World Global Equity Index	10.00	
Pre-Retirement Annuity	L&G Future World Annuity Aware*	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

\*This fund was formerly known as the L&G Pre-Retirement Fund. L&G changed the name of this fund during the period.

### 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:

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

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 31/12/2023	Allspring Emerging Mkt Equity	Baillie Gifford Sustainable Multi Asset	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	Mercer Diversified Growth
Value of Scheme assets (£ 000s)	23,261	17,245	32,862	32,764	12,334	17,446	10,335	35,262	17,410
No. of underlying equity holdings	95	41	1,003	336	107	6,908	1,081	3,147	N/A*
No. of meetings eligible to vote	134	41	612	334	107	9,077	1,175	5,080	10,865
No. of resolutions eligible to vote	1,220	440	10,084	4,954	1,726	94,290	16,787	52,639	119,752
% of resolutions voted	93%	96%	90%	97%	95%	100%	100%	100%	100%
% of resolutions voted with management	87%	98%	95%	96.0%	77%	76%	81%	80%	84%
% of resolutions voted against management	9%	1%	5%	4.0%	23%	23%	18%	19%	15%
% of resolutions abstained	4%	0%	0%	0.0%	0%	0%	0%	0%	1%
% of resolutions voted against recommendation of the proxy adviser	12%	N/A**	0%	0.0%	1%	15%	14%	11%	N/A*

Source: Investment Managers. Totals may not sum due to rounding.

As noted earlier in this Statement, the Scheme replaced two of the diversified growth funds in place in January 2024. Specifically, the Baillie Gifford Diversified Growth Fund was replaced with the Baillie Gifford Sustainable Multi Asset Fund, and the Abrdn Global Absolute Return Strategies Fund was replaced by the Mercer Diversified Growth Fund. These changes were implemented in January 2024. The statistics above relate to the full year.

\*This fund does not invest in equities directly, instead it invests in a number of underlying investment funds (27 fund holdings as at 31 December 2023). There is no proxy adviser at the total fund level.

\*\*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

In the following tables Voting issues that arose within each fund (that hold equities with voting rights), that is considered significant, as it relates to Trustee priorities.

Fund	Allspring Emerging Market Equity	Company	Wuxi Biologics (Cayman) Inc.		
Item	Election of named directors				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	Allspring voted against the re-election of a named director on the basis that the nominee was himself the incumbent Chair of the Nominating Committee, and the company's board lacks gender diversity.  Separately, a vote against the re-election of a non-independent director was deemed appropriate as the board is not one-third independent. Allspring believe that the majority of directors on a board should be independent.				
Date of Vote	27 June 2023	Voting Decision	Against	Outcome	Passed

Fund	Baillie Gifford Sustainable Multi Asset	Company	American Tower Corporation		
Item	Appoint and pay auditors				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	American Tower Corporation is a real estate investment trust which owns, develops and operates wireless and broadcast communications infrastructure in several countries.  Baillie Gifford opposed the ratification of the company's proposed auditor because of the length of the auditor's tenure. The manager believes that it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. Baillie Gifford had asked about plans to tender the appointment in 2022, but did not receive a response. Therefore, in 2023 they decided to escalate the voting action to oppose the auditor.				
Date of Vote	24 May 2023	Voting Decision	Against	Outcome	Failed

Fund	BlackRock Global Dev Fundamental Weighted	Company	Siemens AG (Siemens)		
Item	Approve virtual-only shareholder meetings until 2025, and amend Articles regarding participation of Supervisory Board Members in the AGM means of audio and video transmission				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	BlackRock voted for these proposals as they met regulatory requirements and, in the manager's view, the company was taking the necessary steps to ensure that shareholder rights were respected. BlackRock were aware of some concerns that virtual-only AGMs could potentially impede meaningful exchanges between management and shareholders. However, following analysis, BlackRock believed that Siemens had proposed an approach that is unlikely to undermine shareholder rights.  Specifically, Siemens noted that they would transmit the full meeting by video and audio, would make the report of the Board of Directors available no later than a week prior to the meeting, and would exercise shareholder voting rights by electronic means as well as by proxy paper ballot. The company explained that shareholders would be able to make statements, ask questions, submit proposals and enter objections during the meeting. While regulations permits the authority to last up to 5 years, Siemens' board will seek a renewal to hold virtual-only shareholder meetings in 2 years. BlackRock considered this a pragmatic approach to enable investors to become accustomed to the new format.  The company also identified benefits to holding a virtual AGM, including cost efficiency; the potential to enable greater access for participants; and the avoidance of carbon emissions in connection with travel. For these reasons, BlackRock believed it was in the best interests of clients to support the proposals.				
Date of Vote	9 February 2023	Voting Decision	For	Outcome	Passed

Fund	BlackRock Global Minimum Volatility Index	Company	YUM! Brands, Inc.		
Item	Shareholder proposal on issuance of a report on plastics use				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>YUM! Brands, Inc. owns and operates the KFC, Pizza Hut and Taco Bell franchises, among others. BlackRock did not support this proposal, which requested that Yum! should issue a report detailing its efforts to reduce plastics use. In BlackRock's analysis, the company's existing disclosures on plastics – particularly new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing these risks.</p> <p>BlackRock engages with companies in the restaurant industry on their approach to plastics. Given the impact on long-term shareholder value (such as increasing customer demand for recyclable packaging, and regulatory costs), BlackRock value it when companies who produce or rely heavily on plastics disclose information on how waste is managed. Where plastic use is material to a company's strategy, BlackRock look at their disclosures to assess risks, and to understand how impacts and dependencies are managed. In 2022, Yum! updated their sustainable packaging policy, outlining the actions they had taken and those that they planned to take. Among other things, the company set goals to eliminate unnecessary plastics use, and to move consumer-facing plastic packaging to be reusable, recyclable, or compostable by 2025. Therefore, BlackRock did not consider it is necessary for shareholders to ask management to undertake a review of these policies and activities less than a year after the release of the new policy and targets. As such, they voted against the shareholder proposal.</p>				
Date of Vote	18 May 2023	Voting Decision	Against	Outcome	Failed

Fund	HSBC Islamic Global Equity Index	Company	Nike		
Item	Report on Median Gender / Racial Pay Gap (shareholder proposal)				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	<p>HSBC voted against management on a proposal put forward by another shareholder, which requested that Nike should "report on median pay gaps across race and gender, including associated policy, reputational, competitive and operational risks, and risks related to recruiting and retaining diverse talent."</p> <p>The supporting statement for the proposal stated that pay inequities persist across race and gender and pose substantial risks. It added that managing pay equity is associated with improved representation and that diversity is linked to improved stock performance and return on equity. Nike reports only statistically adjusted gaps but ignores unadjusted pay gaps, which would help to address structural bias women and minorities face regarding job opportunity and pay, particularly when men hold most higher-paying jobs.</p> <p>HSBC voted for the proposal on the grounds that they believed it would contribute to improving diversity and equality.</p>				
Date of Vote	12 September 2023	Voting Decision	For	Outcome	Failed

Fund	L&G Diversified	Company	Shell Plc		
Item	Approval of the Shell Energy Transition Progress				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	<p>L&amp;G voted against management on its proposed Energy Transition Progress, "though not without reservations".</p> <p>L&amp;G acknowledge the substantial progress made by this company in meeting its 2021 climate commitments and welcome Shell's leadership in pursuing low carbon products within its business. However, L&amp;G remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with a 1.5°C climate warming trajectory.</p>				
Date of Vote	23 May 2023	Voting Decision	Against	Outcome	Passed

Fund	L&G Ethical Global Equity	Company	Coca Cola
Item	Report on Congruency of Political Spending with Company Values and Priorities		
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.		
Rationale	<p>Shareholders requested that Coca-Cola publish a report analysing its political and electioneering expenditures in the US.</p> <p>L&amp;G voted for this proposal (against management) as it expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While L&amp;G appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, the manager notes that it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. L&amp;G believe that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities, in L&amp;G's view.</p>		
Date of Vote	25 April 2023	Voting Decision	For Outcome Failed

Fund	L&G Future World	Company	JPMorgan Chase & Co.
Item	Shareholder resolution requesting a report on the company's Climate Transition Plan describing efforts to align financing activities with greenhouse gas related targets		
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.		
Rationale	<p>L&amp;G generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published climate change related targets. The manager believes that detailed information on how a company intends to achieve the 2030 climate targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders.</p> <p>L&amp;G therefore voted for this shareholder resolution requesting more disclosures in this area.</p>		
Date of Vote	16 May 2023	Voting Decision	For Outcome Failed

Fund	Mercer Diversified Growth	Company	Apple
Item	Shareholder proposal regarding median gender and racial pay equity report		
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.		
Rationale	<p>A shareholder proposal requested that Apple report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The request was for the report to be "prepared at reasonable cost", omitting proprietary information, litigation strategy and legal compliance information. It was noted that minorities represent 56% of Apple's workforce, but only 43% of leadership, and that women represent 35% of Apple's workforce and 31% of leadership.</p> <p>The manager voted in favour, on the basis that it expects companies to disclose meaningful information on its pay gaps, and the initiatives it is applying to close any stated gaps.</p>		
Date of Vote	10 March 2023	Voting Decision	For Outcome Failed

All data as at 31 December 2023. Source: Investment Managers.

## Voting and Engagement (DB Sections)

### Voting and Engagement Policies

In 2023, the Trustee, following guidance from the DWP, have set their stewardship priorities as being:

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

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. An example of engagement in 2023 was with a leading UK residential care and education Group, that had a merger between two divisions. The review and negotiation of the targets for the merged entity took approximately 9 months, and with Baring's support, the final targets and ESG margin ratchets have been implemented through an ESG letter amending the documentation in May 2023 with a first assessment based on the full year 2023 and granting up to 12.5bps margin ratchet depending on achieved targets.

#### 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. ICG circulates an Annual ESG Survey, to better understand how the invested companies managing ESG matters. In 2023, this survey included 40 companies in the private debt portfolio. One recent example of engagement outcomes related to a situation in which the original debt provider on a facility initially agreed sustainability-linked loan criteria (ESG KPIs) with the borrower that did not meet ICG's expectations, so as majority lender ICG reopened the engagement with the Sponsor and Management. The ICG SDP investment team and Sustainability and ESG team negotiated new terms, offering future margin benefit to the company based on a more considered and ambitious determination of KPIs, including related to GHG emissions reduction.

### **Insight – Buy & Maintain Credit, ABS and LDI funds**

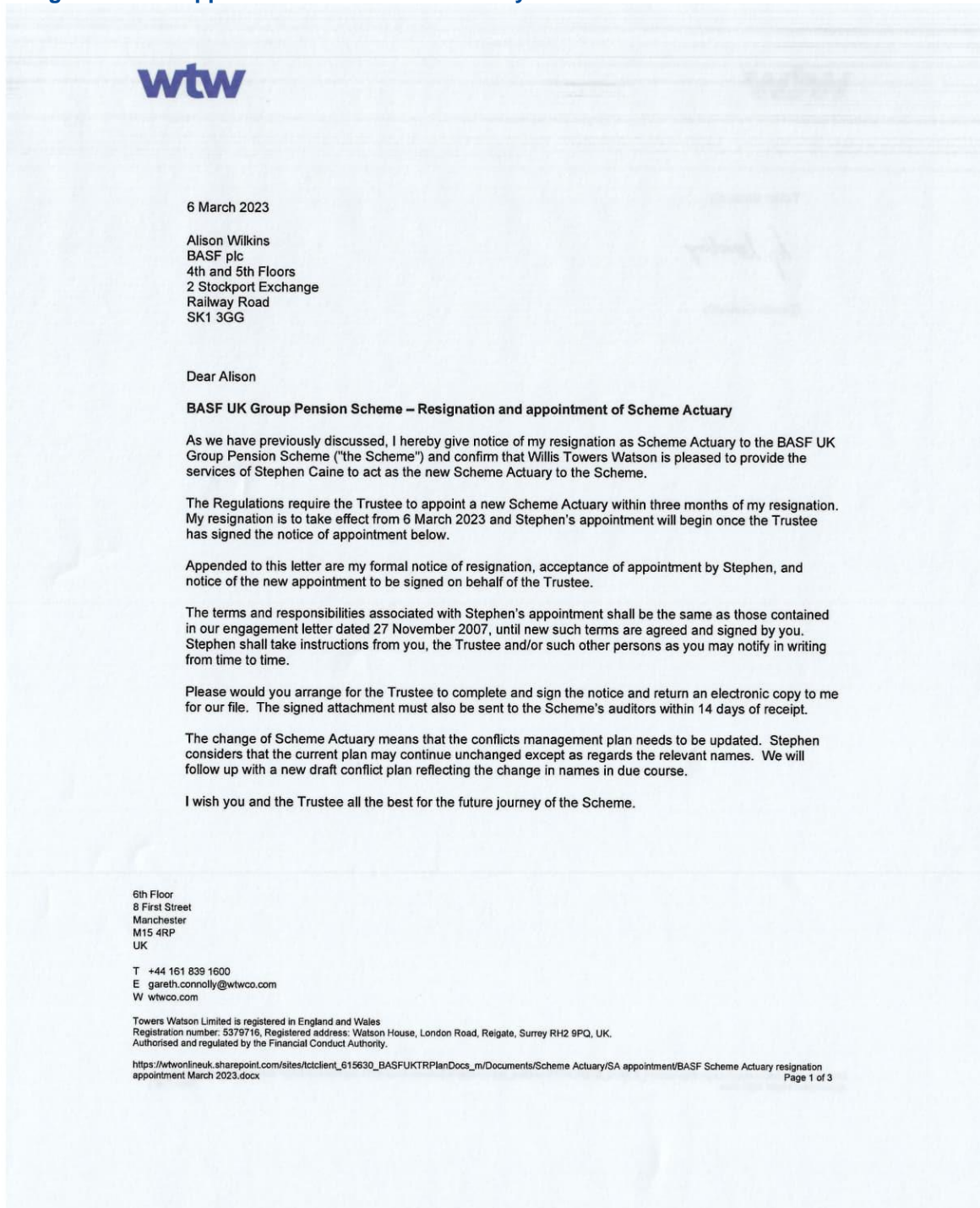
Insight considers ESG issues within their research process and has developed their own rating methodology using data from multiple third-party data providers. If Insight identifies material ESG risks, they engage to better understand the issues. On government bonds, Insight engages directly with the 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. In 2023, Insight focused to improve data on its Mortgage Backed Securities (MBS), by requiring originators to fill questionnaires on the new deals. For the B&M credit portfolio, one example of engagement was in Q4 2023, when Insight held two engagement with Morgan Stanley (MS), to follow up MS' progress in implementing the suggested changes to its fossil-fuel financing and its sustainable financing framework, and to inquired whether MS is considering including facilitated emissions in sector-based targeting in line with its peers. MS has made some progress since its weak counterparty engagement questionnaire score. However, its disclosures are poor and the issuer has failed to set a clear escalation process for clients. Likewise, its sustainable finance framework is weak and Insight thinks. Insight organised a follow up engagement with MS' Global Head of Environment and Social Risk Management to discuss the company's Environmental and Social Risk Policy in more detail.

### **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 2023, RLAM engaged with 554 investee companies across all its portfolios. An example of engagement was with Electricite de France ("EDF"), as part of the CA100+ collaborative engagement, to discuss engagement priorities. These included 1) improving EDF's scope 3 emissions targets and reduction levers, 2) improving scope 1 emissions including expanding its renewable and nuclear plans, 3) improving offsetting, residual emissions, just transition, and CAPEX disclosures. The outcome was that EDF set new targets to reduce its scope 1 emissions from electricity generation by 60%, 70%, and 80% by 2025, 2030, and 2035, respectively, from a 2017 baseline. EDF also clarified its Net Zero by 2050 target, confirming that it includes scope 3 emissions (almost 80% of its current emissions) and entails reducing emissions by at least 90%, with the remaining 10% abated through quality carbon removal projects after 2030.

## Appendix

### Resignation and appointment of Scheme Actuary



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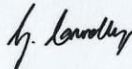
Alison Wilkins  
6 March 2023

**Notice of resignation**

I hereby resign as Scheme Actuary to the Scheme with effect from 6 March 2023.

I confirm that I am not aware of any circumstances connected with my resignation which, in my opinion, significantly affect the interests of members or prospective members of, or beneficiaries under, the Scheme. Please note that this statement is based on my personal knowledge of the Scheme and I have not made any enquiries in relation to this statement.

Signed:



Name: Gareth Connolly

Date: 6 March 2023

**Acceptance of appointment**

Subject to the Trustee of the Scheme confirming the appointment (as indicated below), I hereby accept my appointment as Scheme Actuary effective from the date given by the Trustee below.

In the event that I am appointed, I confirm that I will notify the Trustee immediately I become aware of any conflict of interest to which I become subject in relation to the Scheme.

Signed:



Name: Stephen Caine

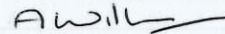
Date: 6 March 2023

**Notice of appointment of Scheme Actuary**

The Trustee of the Scheme hereby appoints Stephen Caine to act as Scheme Actuary to the Scheme with effect from the date given below.

The Trustee confirm their agreement to this letter and the terms it incorporates.

Signed:



Name: ALISON WILKINS

Authorised for and on behalf of the Trustee of the Scheme

Date: 10/3/23