BASF UK Group Pension Scheme

Investment Policy Implementation Document (IPID) – Defined Benefits

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Introduction

This Investment Policy Implementation Document (**IPID**) sets out details of the investment arrangements of the BASF UK Group Pension Scheme (the **Scheme**), based on the principles set out in the Statement of Investment Principles (**SIP**). The two documents are complementary and should be read in conjunction.

The Scheme is a hybrid scheme consisting of separate Defined Benefit and Defined Contribution benefits. The Scheme has two segregated sections, known as the BASF UK Group Section (the **Group Section**) and the BASF Performance Products Section (the **BPP Section**). This IPID covers the defined benefit assets of the Group Section and the BPP Section.

This IPID has been prepared by the Trustee of the BASF UK Group Pension Scheme (**the Trustee**) after considering written professional advice from LCP, the Scheme's investment adviser. The Trustee is responsible for ensuring the IPID reflects the current investment arrangements. The Trustee's legal fiduciary duties take precedence over the contents of this document.

Investment Strategy

The Trustee and the relevant employer sponsor seek to work collaboratively in the setting and review of the investment strategy. The Trustee will also work with BASF SE Asset Management where relevant, as agreed under the terms of the underpin agreement with BASF SE covering the Group and BPP Sections.

The Trustee has agreed to adopt a dynamic investment strategy, as set out in the Statement of Investment Principles.

Published: **November 2026**

The following has been agreed by the Trustee and the Company:

- the long-term investment goal is to achieve and maintain at least full funding on a gilts+0.25% pa basis (that is, assuming investment return equal to UK Government bonds plus 0.25% per annum)
- the time horizons for achieving the long-term funding target are by:
  - Group Section – 31 December 2026
  - BPP Section – 31 December 2031

The allocations, at the time of producing this IPID, are set out below. For both the Group and BPP Sections, the strategy is for the private credit and buy and maintain credit mandates to run-off over time as income and capital is repaid. The residual split between the Insight Liability Driven Investment and Asset-Backed Securities mandates is at Insight's discretion with the aim of balancing collateral adequacy, liquidity risk and generating excess returns over investing capital in government bonds and cash. Overall, the Trustee deems the current allocations as suitable for the Group and BPP Sections, but the Trustee acknowledges that the allocations are not expected to stay in line with the current mix over the years to come. For example, as the private credit mandates are in run off, the Trustee expects these to gradually reduce to nil.

Group Section

Manager	Asset Class	30 September 2026 Allocation	Tolerance Range	Active / Passive	Pooled / Segregated
Barings	Private Credit	3.1%	0% - 5%	Active	Pooled
Insight	Buy & Maintain Credit	16.6%	30% - 50%	Active	Segregated
Royal London	Buy & Maintain Credit	25.4%		Active	Segregated
Insight	Asset-Backed Securities	39.4%	30% - 50%	Active	Pooled
Insight	Liability Driven Investment	13.9%	5% - 25%	Active	Segregated
n/a	Cash	1.6%	0% - 5%	n/a	n/a
Total		**100%**			

Within the Liability Driven Investment (**LDI**) portfolio, the Group Section has a target level of interest rate and inflation hedging that is 100% of the gilts+0.25% pa liability measure.

BPP Section

Manager	Asset Class	30 September 2026 Allocation	Tolerance Range	Active / Passive	Pooled / Segregated
Barings	Private Credit	2.2%	0% - 7.5%	Active	Pooled
ICG	Private Credit	2.7%		Active	Pooled
Insight	Buy and Maintain Credit	20.3%	30% - 50%	Active	Segregated
Royal London	Buy and Maintain Credit	23.3%		Active	Segregated
Insight	Asset-Backed Securities	29.0%	20% - 40%	Active	Pooled
Insight	Liability Driven Investment	21.8%	10% - 30%	Active	Segregated
n/a	Cash	0.7%	0% - 5%	n/a	n/a
Total		**100%**			

Within the LDI portfolio, the BPP Section has a target level of interest rate and inflation hedging that is 100% of the gilts+0.25% pa liability measure.

Investment Managers

The Trustee will work collaboratively with the employer, and BASF SE Asset Management where relevant, when selecting the Scheme's investment managers.

Details of the investment managers and their key objectives are set out in the following sub-Sections.

Barings (Private credit)

The funds provide lending directly to companies borrowing in private markets. The Manager's objective is to generate 7.5% - 8.5% pa (net of fees).

ICG (Private credit)

The funds provide lending directly to companies borrowing in private markets. The Manager's objective is to generate 6% - 8% pa (net of fees).

Insight (Buy and Maintain Credit)

The Manager is expected to construct a segregated portfolio of bonds and ancillary instruments with overall duration of 7 to 11 years at completion of the initial investment, with the objective of taking prudent action in light of any material increase in the probability of default of any of its bond holdings.

Royal London (Buy and Maintain Credit)

The Manager is expected to construct a segregated portfolio of bonds and ancillary instruments with overall duration of 5 to 10 years at completion of the initial investment, with the objective of taking prudent action in light of any material increase in the probability of default of any of its bond holdings.

Insight (Asset-Backed Securities)

The fund's objective is to produce an interest rate based return, primarily through investment in a portfolio of asset backed securities and corporate floating rate notes. The fund's performance is compared against a reference benchmark, which is 1 month SONIA.

Insight (LDI)

The Trustee aims to hedge a proportion of each Section's exposure to interest rate and inflation risk, by investing in a mixture of bonds and leveraged LDI arrangements. This is kept under review with the objective of stabilising the funding level for each Section.

Insight has been given the discretion to systematically alter the allocation between gilts and swaps, to reduce the cost of hedging over time and target additional investment returns.

The LDI strategy is mainly implemented through segregated accounts with Insight. Each account is expected to provide a return which will assist the Trustee to proportionately match the impact of future changes in interest and inflation rates on the value of the liabilities.

Insight also has flexibility to allocate part of the underlying collateral within the account to other Insight pooled funds, including funds predominately invested in short-dated high-quality credit (including asset-backed securities), with the aim of improving overall collateral efficiency.

Insight (Cash)

The money market fund's objective is to provide investors with stability of capital and income through investment in short term fixed income and variable rate securities. The fund's performance is compared against a reference benchmark, which is SONIA, with the fund seeking outperformance by 0.25% per annum (before tax, fees and expenses).

Investment Restrictions

The investment managers have discretion over the investment of the Scheme's assets, subject to the restrictions set out in each of their respective investment management agreements and/or relevant governing documentation. The Trustee is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities provide adequate diversification of investments.

Where permitted under their investment guidelines, the investment managers may invest in derivatives including futures, swaps, and options.

Other than to the extent that pooled funds are invested in listed securities issued by BASF SE or its associate companies, managers are not permitted to invest in such securities or to lend money to BASF SE or its associate companies.

Custody

JP Morgan is responsible for the custody of all the Group and BPP Sections' assets, in particular as the direct sole custodian for segregated assets. It is also responsible for record-keeping for all the Group and BPP Sections' assets. For pooled or unitised funds, the direct custodian of the underlying holdings is arranged by the relevant investment managers (with JP Morgan acting as the Trustee's custodian for the pooled fund units for the Group and BPP Sections).

IPID finalised by the Trustee of the BASF UK Group Pension Scheme, effective from: November 2026