

DC Governance Statement

Introduction

This statement describes how the Trustee has governed the DC Section of the BASF UK Group Pension Scheme (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 2025 to 31 December 2025.

The Trustee is supported by a specialist professional DC adviser. The Trustee's legal adviser and representatives of the Scheme administrator also provide support and attend meetings to discuss DC matters when required. Day-to-day support to the Trustee is provided by the BASF In-House Pension Team.

Subsequent to the Scheme year end, the Trustee moved to a sole Trustee model. The appointed Sole Trustee is Ross Trustees Services Limited trading as Independent Governance Group (IGG).

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 Statement of Investment Principles (SIP), prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, can be accessed at [DC SIP](https://www.basf.com/gb/en/who-we-are/UK-Pensions/Pension-Scheme-Governance) (see also <https://www.basf.com/gb/en/who-we-are/UK-Pensions/Pension-Scheme-Governance> for a range of Scheme governance documents).

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

There were no changes to the SIP during the year covered by this statement. Subsequent to the Scheme year-end, the SIP was reviewed and a revised copy was agreed and published in February 2026. The changes made related to:

1. Updating the SIP to reflect a change to the growth phase of the default investment strategy. Further details are provided below.
2. Adding details of a new fund that has been launched for members, the Sukuk Fund, which invests in Shariah-compliant financial certificates, often referred to as "Islamic bonds".

The Trustee took advice from its suitably qualified DC adviser when reviewing and updating the SIP.

Default Arrangement

The default investment arrangement during the year covered by this statement was the **Moderate Flexible Income LifePlan**. In January 2026, following a review of the strategy, the default was changed to the **Adventurous Flexible Income LifePlan**. Both strategies are lifestyle arrangements 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 main difference between the previous and new default arrangement is the level of risk in the growth phase, as outlined further below:

- The prior default investment arrangement (which was in place during the year to 31 December 2025) invested in the Moderate Fund until a member was 5 years away from their target retirement date, or their normal retirement date if the member did not actively select a target retirement date. The Moderate Fund is a blended fund that invests c50% in global equities and c50% in diversified growth funds.
- The new default investment arrangement (from January 2026) invests in the Adventurous Fund until a member is 5 years away from their target retirement date, or their normal retirement date if the member does not actively select a target retirement date. The Adventurous Fund is fully invested in global equities and the Trustee decided to switch to this fund in the “growth” phase of the strategy in the expectation that over the long term, this approach will contribute to higher long-term investment returns for members, and hence better retirement outcomes.

As highlighted above, both the Moderate Flexible Income LifePlan and the Adventurous Flexible Income LifePlan start to de-risk the investments when a member is 5 years from their target retirement date, or their normal retirement date if no choice has been made. The investments are 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 Liquidity Environmentally Aware Fund which invests in cash and money market investments. Further details can be found in the SIP.

[Asset Allocation Disclosure as at 31 December 2025](#)

The Trustee makes available asset allocation information on the Scheme's funds through quarterly factsheets which are available to members online.

Additionally, the Trustee is required to set out in this statement the asset allocation of investments in default arrangements, at prescribed member ages. This is shown below for the default arrangement that was in place during the year, and the new default arrangement from January 2026. 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 Allocation of the Moderate Flexible Income LifePlan (default arrangement as at 31 December 2025)

	Allocation – Age 25 (%)	Allocation – Age 45 (%)	Allocation – Age 55 (%)	Allocation – age 65 (%)
Cash	1.5	1.5	1.5	25.7
Bonds (corporate and government)	14.3	14.3	14.3	33.2
Listed Equities	70.5	70.5	70.5	34.4
Private Equity	0.0	0.0	0.0	0.0
Infrastructure	4.7	4.7	4.7	2.3
Property/Real Estate	3.7	3.7	3.7	1.8
Private Debt/Credit	1.5	1.5	1.5	0.7
Other	3.8	3.8	3.8	1.9

Source: Investment managers. “Other” category includes commodities 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.

Asset Allocation of the Adventurous Flexible Income LifePlan (default arrangement from January 2026)

	Allocation – Age 25 (%)	Allocation – Age 45 (%)	Allocation – Age 55 (%)	Allocation – age 65 (%)
Cash	1.1	1.1	1.1	25.7
Bonds (corporate and government)	0.0	0.0	0.0	33.2
Listed Equities	98.7	98.7	98.7	34.4
Private Equity	0.0	0.0	0.0	0.0
Infrastructure	0.0	0.0	0.0	2.3
Property/Real Estate	0.2	0.2	0.2	1.8
Private Debt/Credit	0.0	0.0	0.0	0.7
Other	0.0	0.0	0.0	1.9

Source: Investment managers. “Other” category includes commodities and insurance-linked securities. Note that the small allocation to property/real estate relates to listed assets. The investment manager has chosen to allocate these assets to property/real estate.

[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 Trustee concluded its most recent strategic review of the default investment strategy in 2025 and discussed the review at meetings held on 13 February, 7 May, and 6 August and 5 November 2025. The review included:

- **Consideration of “off-the-shelf” defaults:** Recognising that some investment managers and pension providers offer ready-made default strategies, the Trustee considered whether such an approach could be suitable for the Scheme. This included detailed performance analysis and consideration of the membership profile.
- **Asset allocation review:** The Trustee reviewed the allocation of each of the three risk-profiled funds that are available within the Scheme and used in the LifePlan lifestyle options. This included consideration of private markets investments and new ways to manage risk, such as protected equity funds.
- **LifePlan review:** The Trustee reviewed the design of the glidepath (the timing and pace of de-risking) used in the LifePlan options, including whether alternative structures could improve member outcomes. To analyse the impact of changes to the structure, example member scenarios were considered to show the potential impact on retirement outcomes.

Following the work described above, it was agreed that the current target benefit of the default strategy (income drawdown) remained appropriate, and that it remained important to offer members a range of different target benefit types through a LifePlan structure, to meet the diverse needs of the membership.

The Trustee also concluded that off-the-shelf default options were unlikely to be suitable for the membership as they are not able offer the appropriate level of tailoring for the characteristics of the Scheme’s membership, and such products would reduce the level of choice and flexibility that the Scheme offers.

However, the Trustee agreed that it would be appropriate to make some changes to the default investment arrangement with a view to seeking to improve member outcomes at retirement. Firstly, to switch the growth phase of the arrangement from the Moderate Fund to the Adventurous Fund. The latter fund has higher exposure to global equities and while it is recognised that this allocation is likely to increase the volatility of returns, especially over short to medium term periods, in the long term the Trustee considers that the new growth phase offers the opportunity of higher long-term returns for members. Secondly, the Trustee agreed to carry out further work to explore protected equity funds, which could offer a low cost, predictable way to

manage equity market risk. These funds are relatively new to the DC market and the Trustee intends to carry out further due diligence in 2026.

Following the conclusion of the latest review in 2025, the next triennial review is due to start in 2028, or sooner if there is a significant change in the membership profile or other material circumstances of the Scheme.

Other Investment Changes

The Trustee reviewed the FreePlan (self-select) fund range during the year. Overall, the Trustee concluded that the range continues to meet the needs of members and decided to further broaden the range of options for Muslim members by adding a Sukuk Fund. A Sukuk is an Islamic financial certificate, similar to a bond in Western finance. Islamic law prohibits *riba* (interest), meaning traditional bonds are not viable investments or ways to raise capital for a business. Sukuk were created to link the returns and cash flows of debt finance to a specific asset being purchased. This fund was made available to Scheme members in January 2026.

Investment Governance activity

Over the year to 31 December 2025, performance and risk-based reviews were undertaken on a quarterly basis. These reviews incorporated independent quarterly reports from the Trustee's DC adviser.

The reports provided 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 provided a forward-looking assessment of the likelihood of a fund's performance objective being met. The Trustee discussed the reports at each meeting.

Net Investment Returns

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

Default strategy – Moderate Flexible Income LifePlan - returns (net of fees) % p.a.					
Age of Member	1 Year	5 Years	10 Years	Since Inception	Inception Date
Up to age 60 (Moderate Fund)	12.6	6.6	6.8	6.3	1 April 2014
Age 65	8.7	4.1	4.2	N/a see footnote	1 April 2014
FreePlan (self-select) funds - returns (net of fees) % p.a.					
Fund	1 Year	5 Years	10 Years	Since Inception	Inception Date
Moderate	12.6	6.6	6.8	6.3	1 April 2014
Adventurous	15.5	9.2	10.1	9.0	1 April 2014
Cautious	10.1	4.5	5.0	5.1	1 April 2014
Ethical	15.5	13.5	13.8	13.0	1 April 2014
Islamic	13.0	14.8	16.4	15.6	1 April 2014
Pre-Retirement Annuity	5.5	-6.0	0.7	1.8	1 April 2014
Liquidity Environmentally Aware	4.3	3.0	1.7	N/a see footnote	See footnote

The Liquidity Environmentally Aware Fund has an inception date of 22 April 2024. For longer periods, its performance has been "chain-linked" with that of the prior cash fund, the Sterling Liquidity Fund. As the two funds have different inception dates, since inception figures are not available.

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.

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.

The Trustee monitors SLAs on a quarterly basis. Over the year to 31 December 2025, the average percentage level of SLAs achieved across the Scheme stood at 97%. The average level for “DC processing” transactions was 96%.

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 in / out, death related payments) are processed within target.

The quarterly administration reports include commentary on any service issues or trends. In addition, the Trustee 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.

Finally, the Trustee also has oversight of the core financial transactions of the AVC arrangements with Prudential and Utmost. Transactions are very limited given the small number of members involved and the closed nature of the policies, but no issues have been identified with core financial transactions in respect of these legacy arrangements. In 2026, the Trustee commissioned a review of the AVC arrangements to further strengthen our governance in this regard.

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.

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

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.

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 Trustee.

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 in this statement 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 Occupational Pension Schemes (Scheme Administration) Regulations 1996 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 investment arrangement during the period are detailed in this section. All funds available to members have total expense ratios (TERs) that fall below the defined contribution charge cap of 0.75% per annum.

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

During the year covered by this statement, the Trustee secured reduced fees for all funds available to members. The new fee rates are reflected in the table below, and further details are provided in the Value for Members section.

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 2025. Funds used as part of the default investment arrangement during the year are shown in **blue**. As noted earlier, in January 2026, the growth phase of the default option was switched from the Moderate Fund to the Adventurous Fund and hence this fund is also highlighted in blue.

Fund	TER* (% p.a.)	Transaction Costs** (%)
Adventurous	0.36	0.03
Moderate	0.33	0.07
Cautious	0.26	0.05
Pre-Retirement Annuity	0.12	0.00
Liquidity Environmentally Aware	0.13	0.02
Ethical	0.25	0.01
Islamic	0.21	0.01

Source: Scottish Widows.

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

** When buying and selling investments, transaction costs can be incurred. Such costs are not explicitly deducted from a fund but are captured in its performance (i.e., the higher the transaction costs, the lower the returns). The FCA's guidance to investment managers (Policy Statement 17/20) has been used in calculating and disclosing these costs.

Impact of Costs and Charges

Using data provided by the platform provider, Scottish Widows, and in accordance with Regulation 23(1)(ca) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, 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 default investment arrangement (during the year, this was the Moderate Flexible Income LifePlan, moving to the Adventurous Flexible Income LifePlan in January 2026)
- 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 (Pre-Retirement Annuity 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. Detailed assumptions are noted below the following tables. The illustrations that follow take into account the following elements:

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

Values shown are estimates at the end of each year and are not guaranteed. The projected pension pot values are shown in today's terms.

Important note regarding illustrations: The investment return assumptions used in the projections are consistent with those used in the Scheme's Statutory Money Purchase Illustrations (SMPIs). Owing to a change in the way that these assumptions are derived, bond-based funds have higher expected return assumptions than might be considered typical for bonds. This leads to the projected fund values for the Pre-Retirement Annuity Fund appearing higher than for "growth" asset classes including the Adventurous and Moderate Funds. The illustrations are estimates only and are not predictions or guarantees.

Age	Default arrangement from January 2026		Default arrangement during 2025		Fund with the highest charges		Fund with the lowest charges	
	Adventurous Flexible Income LifePlan		Moderate Flexible Income LifePlan		Moderate Fund		Pre-Retirement Annuity	
	Pot size with no charges incurred (£)	Pot size with charges incurred (£)	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	0	0
25	22,250	22,040	21,460	21,210	21,460	21,210	22,250	22,180
30	56,050	54,980	51,580	50,360	51,580	50,360	56,020	55,670
35	97,740	94,890	85,700	82,670	85,700	82,670	97,650	96,720
40	148,880	143,010	124,230	118,390	124,230	118,390	148,680	146,770
45	211,330	200,800	167,640	157,810	167,640	157,810	210,960	207,520
50	287,310	269,930	216,410	201,230	216,410	201,230	286,700	281,000
55	379,470	352,400	271,090	248,970	271,090	248,970	378,500	369,590
60	490,950	450,510	332,270	301,380	332,270	301,380	489,490	476,110
61	513,980	470,520	345,310	312,500	345,340	312,450	514,300	499,850
62	535,830	489,370	358,600	323,880	358,700	323,730	540,060	524,470
63	555,070	505,880	371,460	334,970	372,360	335,220	566,800	550,000
64	571,390	519,800	383,830	345,730	386,320	346,910	594,550	576,470
65	585,420	531,690	395,850	356,270	400,590	358,820	623,350	603,910

- 1) To make the analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator, as part of triennial investment strategy reviews. 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 £32,000 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 per year.
- 2) Inflation is assumed to be 2.5% p.a. over the long term.
- 3) Investment return assumptions are consistent with the assumptions used in the Statutory Money Purchase Illustrations for the Scheme as at 31 December 2025.
- 4) As required under the regulations, the transaction costs used in the illustrations above are an average of the costs provided for the 5-year period to 31 December 2025. For the Liquidity Environmentally Aware Fund which was introduced in March 2024, historical transaction costs prior to this period are for the Sterling Liquidity Fund which was in place before March 2024.
- 5) Where transaction costs are negative, it has been assumed that these are zero, on the grounds of prudence and as 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.

In order to form a view on value for members, the Trustee conducted an extensive benchmarking exercise during 2024 / 2025 and sought an independent review of charges from a third-party consultant who is not the Trustee's appointed ongoing DC adviser. This was in order to obtain a different perspective and thoroughly test the fees that members pay. The review included consideration of:

- Costs borne by members (both annual management charges and total expense ratios)
- Consideration of alternative platforms, funds, and structures (including "bundled" providers and off-the shelf default options)
- The fund range available to members
- Investment fund and platform quality
- Governance considerations
- Additional member services, including at retirement options, services, and member tools available.

While the review was positive overall, on the fund range and services offered to members, we identified an opportunity to re-negotiate fees. The Trustee is pleased to confirm that we secured a fee reduction on all funds, as summarised below. The new fee basis was implemented in April 2025.

Fund	Previous TER (% p.a.)	TER from April 2025 (%)
Adventurous	0.40	0.38
Moderate	0.41	0.36
Cautious	0.32	0.28
Pre-Retirement Annuity	0.14	0.12
Liquidity Environmentally Aware	0.14	0.13
Ethical	0.28	0.25
Islamic	0.38	0.36

The Trustee has concluded that the Scheme offers good value for money relative to peers including other potential arrangements of a similar size and nature (using data from Isio and Mercer), and relative to options available to the Trustee with alternative investment managers and providers.

The Trustee recognises that a range of pension scheme vehicles 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.

A proportionate approach is adopted for assessing the closed legacy AVC arrangements with Prudential and Utmost on the basis that the AVC holdings are relatively modest. The Trustee is in the process of reviewing these arrangements and note that there are no immediate concerns. It is also 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 in dealing with the whole Scheme (not just the DC Section).

During the year, the Trustee maintained arrangements for ensuring its Trustee Directors took personal responsibility for keeping up to date with relevant developments and each quarter considers training requirements. Training logs were maintained for each Director and training was provided regularly during meetings.

Subsequent to the Scheme year end, the Trustee moved to a sole Trustee model. The appointed Sole Trustee, Ross Trustees Services Limited trading as Independent Governance Group (IGG), comply with the APPT Code of Practice for Sole Trusteeships. The appointed Professional Trustee for the Scheme is fully accredited and meets the annual requirements for continuous professional development.

During the year, the training topics considered relating to DC matters encompassed both dedicated training items as well as consideration of topical briefing papers provided by the Trustee's advisers. The topics included:

- Bundled versus unbundled DC pension provision (13 February 2025)
- Movements in gilt yields and their impact on DC schemes (13 February 2025)
- Inheritance tax changes relating to pensions (13 February 2025),
- Climate Change reporting update (7 May 2025)
- Private market investments training provided by an investment manager (6 August 2025)
- Protected equity funds training provided by an investment manager (6 August 2025)

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules. 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. This typically takes place every three years, or 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 shortly after the Scheme year end, as noted earlier, and the Trustee used the SIP review as an opportunity to keep its knowledge of the SIP regularly maintained.

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.

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 General Code of Practice.

Catherine Edmondson
Chair of Trustee

Signed for and on behalf of Ross Trustees Services Limited as the Trustee of the BASF UK Pension Scheme