BASF UK Group Pension Scheme

Investment guide

Planning your investment journey

January 2016

We create chemistry

Contents

Welcome

This guide gives you information to help you make decisions about how you would like to invest your *DC Account*. Whether you are a new member of the Scheme and are starting your investment journey, or have saved with us for years, it is worth reading this guide and reviewing your options to get the most from your savings.

Your investment choice is important
Contributions paid into your *DC Account* are invested with a view to increasing their value. Taking the right route is important because the better your investments perform, the more money will be in your *DC Account* to provide your benefits when you retire. As this is such an important decision and maybe one you have not had to make before, we have produced this guide to help you understand:

- **How investments work**
- **The options available to you and why you might choose them**

Where you see a word in ***italics***, this term is explained in the phrasebook on page 16.

Planning your journey

Types of investments

There are four main types of investments used in the DC Section of the Scheme:

Equities

These are shares in a company, usually categorised as developed or emerging market *equities*. Developed markets refer to countries with a well-developed economy such as the UK, US and Germany, whereas emerging markets refer to countries that are progressing towards becoming more advanced, such as Brazil, China and India.

Investment returns are received as *dividends*, paid when the company makes a profit, and *capital* growth, when shares are sold and the value of the shares themselves rise or fall.

Diversified Growth Funds

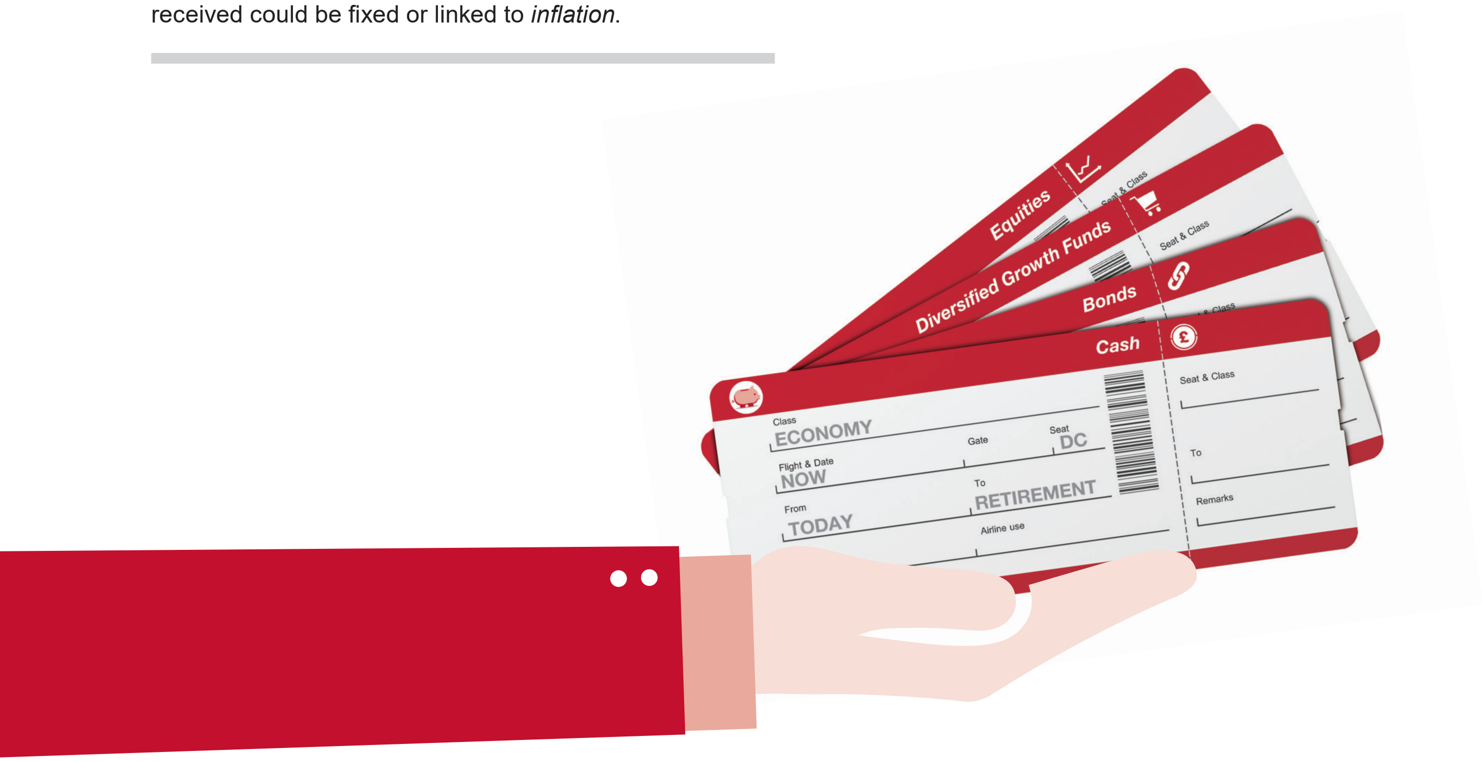
These funds invest in a variety of assets such as *equities*, property, infrastructure (e.g. roads and other transportation networks), *bonds* and *cash*. The amount invested in each asset tends to change over time, depending on the investment manager and the markets at any point in time. *Investment returns* will be received in a number of ways due to the variety of assets.

Bonds

There are two main types of *bonds*, those issued by companies, called corporate *bonds*, or by governments. Government *bonds* issued by the UK Government are called *gilts*. *Bonds* are effectively loans that promise to pay back the original money loaned on a specific date. Interest is paid until the loan is repaid. The interest received could be fixed or linked to *inflation*.

Cash

Cash typically means deposit accounts in a bank or building society, or short term loans. *Investment returns* are received as interest on the *capital* invested.



Planning your journey

Types of risk

There are different types of risk you need to consider:

Investment risk
The value of an investment can rise and fall. Funds with a low investment risk are usually more stable, but they may not grow as fast as some of the other funds. Funds with a higher investment risk are likely to go up and down in value, but they usually offer the greatest potential for growth in the long term.

In addition, where funds make investments in overseas markets, the value of these investments is affected by changes in currency exchange rates. Some of the BASF investment funds use *currency hedging* to manage the risk. The *fund factsheets* confirm where *currency hedging* is used within the *Scheme's* investment fund options.

***Inflation* risk**
This risk applies to investments that may not grow enough to keep up with increases in the cost of living.

Benefit conversion risk
You can use your *DC Account* at retirement in different ways:

- A *cash* lump sum
- A *guaranteed income (annuity)*
- A *flexible income (*also known as adjustable income, drawdown or 'flexi-access' drawdown), withdrawing from your savings as and when you like

You can also take a mixture of these options

Benefit conversion risk varies depending on which form of benefit you use your *DC Account* for and it can be reduced by investing in the funds that most closely match the value and characteristics of the benefits you intend to take at retirement.

There are *LifePlan* options available that help you manage benefit conversion risk without having to select all your own funds. See page 12 for more information.

How you intend to use your *DC Account* at retirement should affect the way that you invest it **in the last few years** before your retirement so it is important that you carefully consider your plans.

For example:

- If you wish to take some or all of your *DC Account* as *cash*, this risk can be potentially reduced by investing in *cash* funds.
- If you wish to use some or all of your *DC Account* to secure a *guaranteed income (annuity)* at retirement, this risk can potentially be reduced by investing in *bonds*.
- If you wish to use some or all of your *DC Account* as a *flexible income* at retirement, benefit conversion risk is a bit more complex. In this case you may want to protect the value of any *cash* you plan to withdraw at retirement whilst also aiming to reduce the risk that your longer term savings fail to keep pace with *inflation (inflation risk)*. In practice this often means staying invested in some 'growth' investments but taking a lower risk approach overall than when you are further from retirement.

Planning your journey

Types of investments and their risks

Equities

Pros
- Potential for higher returns over the long term
- Provides potential for *capital* growth

Cons
- Prone to significant variability in returns over shorter periods
- Funds holding *equities* may be more suitable for members who are some way off retiring, as the value of the fund may fall in the short term

Useful for...
- Long term growth
- Long term *inflation* protection

Not ideal for...
- *Capital* protection
- Members who are very close to retirement if planning to buy a *guaranteed income (annuity)* or take *cash*

Used in the BASF...
Adventurous Fund*
Moderate Fund*
Cautious Fund*
Amanah Fund
Ethical Fund

Diversified Growth Funds

Pros
- Potential for medium to high returns over the long term
- Reduces risk by investing in a wide range of assets (avoids having all 'eggs in one basket')
- Provides potential for *capital* growth

Cons
- These are still 'growth' funds and carry similar risks to *equities*, albeit to a lesser degree
- Can be more expensive, as these funds include alternative asset types such as property and commodities, and are actively managed *(active management)*
- *Active management* means that the manager could under perform when compared to their benchmark
- May not perform as well as *equities* over some periods when *equities* do very well

Useful for...
- Long term growth
- Long term *inflation* protection

Not ideal for...
- *Capital* protection
- Members who are very close *to retirement if planning to buy a* guaranteed income (annuity) or take *cash*

Used in the BASF...
Moderate Fund*
Cautious Fund*

Bonds

Pros
- The price of securing a *guaranteed income (annuity)* is linked to *bonds*, so they can help to protect your *DC Account* against changes in the cost of purchasing your *guaranteed income (annuity)*

Cons
- *Bonds* can be volatile and may fall as well as rise in value. They are very sensitive to interest rates and when interest rates (or expected future interest rates) rise, *bonds* will produce a lower return which may be negative
- Lower expected long term *investment returns* than *equities*
- There is a risk of default. The original *capital* may not be repaid on maturity, and/or interest payments may not be met. However there is normally a low risk that the government or company who issue the *bonds* won't be able to meet the interest payments or pay back the original *capital*

Useful for...
- *Inflation* protection (*inflation* linked *bonds* only)
- Targeting *guaranteed income (annuity)* purchase

Not ideal for...
- Long term growth
- Outperforming *inflation*
- *Capital* protection (especially when interest rates go up)

Used in the BASF...
Cautious Fund*
Pre-retirement Annuity Fund

Cash

Pros
- High level of *capital* security

Cons
- *Investment returns* may not keep up with *inflation*

Useful for...
- *Capital* protection

Not ideal for...
- Long term growth
- *Inflation* protection
- Targeting *guaranteed income (annuity)* purchase

Used in the BASF...
Sterling Liquidity Fund

*This is a blended fund. Blended funds use a variety of investments, the combination of which can change. See the *fund factsheets* on the pensions website for details.

Choosing your route

Your situation

Before we look at your options in detail, there are three things to think about when choosing how to invest your *DC Account*:

1. When do I want my *DC Account*?

The age you plan to access the savings in your *DC Account* is automatically set to age 65, unless you select otherwise. In *LifePlan* this is called your *Target Pension Date*.

If you invest in *LifePlan*, your *Target Pension Date* will be used to automatically transfer your funds to reduce your exposure to risk as you approach retirement.

2. Am I growing my *DC Account* or consolidating it?

Growth phase

Typically, the further you are from retirement, the more risk you may be prepared to take in order to aim for long term growth. If you are in the growth phase, you want to maximise your *DC Account* by investing in funds that will target returns higher than *inflation*. These tend to have higher investment risk, as they seek long term growth.

The fund your *DC Account* is invested in will depend on your risk tolerance.

See page 10 for more information about the BASF funds.

Consolidation phase

As you get closer to retirement, the less investment risk you generally want to take in order to try to protect the savings you've built up. The aim of the consolidation phase is to gradually reduce investment and benefit conversion risk during the last few years before your *Target Pension Date*.

There are *LifePlan* options that reduce investment risk for you automatically, but if you opt for *FreePlan* funds you'll need to manage this yourself. See page 12 for more information.

3. What is my risk tolerance?

When choosing where to invest your *DC Account*, it's important to understand your risk tolerance.

To help understand your risk tolerance, we have included a short risk quiz in the appendix.

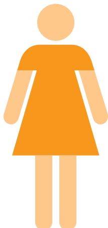
Choosing your route

Understanding how your situation affects your choices

When making choices, you might also want to consider:

- Your current commitments
- When you want to retire
- How much you want to contribute
- The lifestyle you want to have
- Other savings you may have

To help you think about how the information in this guide relates to you, we have created four profiles. We will refer to them in the following pages to help explain the choices you have available to you.

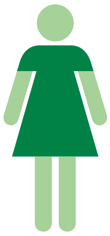


Lucy

Age:	**23**
Target Pension Date:	**68**
Risk tolerance:	**High**
Phase:	**Growth**

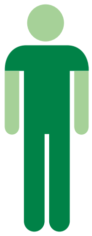
Mark

Age:	**35**
Target Pension Date:	**65**
Risk tolerance:	**Medium**
Phase:	**Growth**



Sarah

Age:	**48**
Target Pension Date:	**65**
Risk tolerance:	**Medium/Low**
Phase:	**Growth**



William

Age:	**57**
Target Pension Date:	**62**
Risk tolerance:	**Medium**
Phase:	**Consolidation**

These profiles are not intended to provide you with advice.

Choosing your route

Your BASF investment routes

The *Scheme* offers two investment routes – *FreePlan* and *LifePlan*.

FreePlan (page 10)

If you want to be very 'hands on' you might choose the *FreePlan* route. This gives you the most flexibility and control over your investments.

You choose to invest in any one or more of the seven funds on offer. Your *DC Account* will be invested in accordance with your instructions and only changed if you decide to do so. Changes are made online using the the Pension Portal.

***FreePlan* may suit you if:**

- You want investment flexibility and want to make your own investment choices.
- You are younger and you can grow your *DC Account* without worrying too much about how you would like to use it at retirement.
- You want to split the money in your *DC Account* between any of the funds available, or just use a single fund if you prefer.
- You want to tailor your choices to suit your personal circumstances and how much risk you want to take.

LifePlan (page 12)

If you want to be less 'hands on' and follow a more guided route, you might choose *LifePlan*. *LifePlan* is a ready-built investment route that aims to reduce some types of risk automatically as you get nearer to your *Target Pension Date.* Under *LifePlan*, your *DC Account* is invested using a strategy set by the *Trustee* that defines the funds to invest in depending on how far you are from retirement.

Each *LifePlan* option has:

- A growth phase, where you can access the Cautious, Moderate and Adventurous funds.
- A consolidation phase, during which your *DC Account* automatically switches into funds that can be linked to how you want to use your *DC Account* at retirement. See page 12 for more information about how you can use your *DC Account* at retirement.

The aim of the consolidation phase is to gradually reduce investment and benefit conversion risk (explained on page 5) during the last few years before your *Target Pension Date.*

***LifePlan* may suit you if:**

- You are approaching retirement and know how you want to use your DC Account at retirement.
- You want to reduce the number of investment decisions you need to make, as changes are made automatically during the last few years before your *Target Pension Date.*

Remember that whichever investment route you choose, you need to decide how you plan to take your savings at retirement as you get closer to it. You can change how your *DC Account* is invested at any time, free of administration charges on the Pension Portal.

Choosing your route

FreePlan

What is *FreePlan*?

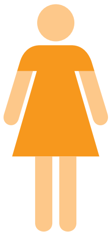
FreePlan gives you flexibility and control over when and how you invest your *DC Account*, as you decide how to invest your *DC Account* and when to change it.

How is my *DC Account* invested?

You can choose to invest in one or more of the seven funds offered by the Scheme, in multiples of 10%. Each fund works in a different way and has different aims. We have looked at types of investments on page 4 and we have summarised each fund in the following table, but you can also find out more information about each fund in the *fund factsheets*.

Fund name	Main aim and assets of fund	Level of investment risk	Should protect against
Growth Funds			
Adventurous Fund	To achieve high levels of *capital growth* over the long term, by investing predominately in *equities*, but has the potential to hold other investment types. It is likely to deliver high levels of variability of returns, particularly in the short term.	High	Long term *inflation* risk
Moderate Fund	To achieve medium to high *capital growth* over the long term by accessing a mix of growth assets, including *equities*, as well as some potential allocation to *bonds*.	Medium/High	Long term *inflation* risk
Cautious Fund	To achieve low to medium *capital growth* over the long term by accessing a mix of assets, including allocations to *equities* and *bonds*.	Medium	Long term *inflation* risk
Ethical Fund	To achieve long term growth via ethical investment in *equities*. The companies in which this fund invests are restricted to those which are considered socially responsible.	High	Long term *inflation* risk
Amanah Fund	To achieve long term growth via investment in *equities*. The companies in which this fund invests are restricted to those that satisfy Islamic investment principles.	High	Long term inflation risk
Consolidation Funds			
Pre-retirement Annuity Fund	To provide protection against changes in *guaranteed income (annuity)* pricing (benefit conversion risk) by investing predominately in a mix of government and corporate *bonds*.	Medium	Benefit conversion risk
Sterling Liquidity Fund	To provide *capital protection* by investing in a wide range of *cash* and *cash*-like investments to achieve a relatively stable return.	Low	Investment risk

Choosing your route



Lucy

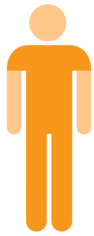
Lucy isn't sure what her plans for retirement are yet but she has made the sensible decision to start saving.

She has a high risk tolerance, and wants to make sure her *DC Account* is invested to increase its value over the long term.

As Lucy is unsure of her plans, she has decided to invest in the Adventurous Fund via *FreePlan*.

She can change her investment choice in the future if she decides this fund is no longer right for her.

Age:	**23**
Target Pension Date:	**68**
Risk tolerance:	**High**
Phase:	**Growth**
Targeted benefit:	**Unsure**
Investment choice:	**Adventurous Fund via *FreePlan***



Mark

Mark feels he would like a *flexible income* but doesn't want to make a decision yet.

Mark has a medium risk tolerance, but has decided to split his investments between the Adventurous Fund and the Moderate Fund via *FreePlan*. It will be over 20 years before he accesses his savings, so Mark is comfortable with a higher risk approach at this time to protect his *DC Account* from *inflation risk*.

At least five years before he plans to take his benefits, Mark will select his targeted benefit and consider whether to use one of the *LifePlan* options to help target the benefits he plans to take. In the meantime, he knows he can change his investment choices at any time if his plans or preferences change.

Age:	**35**
Target Pension Date:	**65**
Risk tolerance:	**Medium**
Phase:	**Growth**
Targeted benefit:	**Undecided at this time**
Investment choice:	**70% Adventurous Fund 30% Moderate Fund via *FreePlan***

Choosing your route

LifePlan

What is *LifePlan*?
Under *LifePlan*, your investment funds are pre-defined and automatically change during the last few years before you reach your chosen *Target Pension Date*. The main aim of *LifePlan* is to help you reduce investment risk and benefit conversion risk when you are close to retirement. We have included detailed breakdowns of the different *LifePlan* switching periods in the appendix.

What *LifePlan* options are available?
There are a number of *LifePlan* options and each one works in a different way. There are three things you need to consider when selecting a *LifePlan* option.

1. Growth phase

Adventurous Fund, or Moderate Fund, or Cautious Fund.

How it works

When you are more than five years away from your chosen *Target Pension Date*, your *DC Account* is invested in a fund to try to maximise growth.

There are three growth phase fund options: Adventurous Fund, Moderate Fund and Cautious Fund. Each fund aims for a different level of growth, with different levels of risk. Each fund is also available in *FreePlan* – see page 10 for details about these funds.

2. Targeted benefit

***Guaranteed income (annuity),* or *cash* lump sum, or *flexible income*. Each of these has a 25% tax-free *cash* lump sum option.**

How it works

When you are in the last five years before your *Target Pension Date,* each *LifePlan* option invests differently depending on which type of benefit you plan to take at retirement:

- ***Cash* lump sum** (of which 25% is typically tax free); or
- ***Guaranteed income (annuity)*** with an allowance for taking 25% of your *DC Account* as *cash*, which is the typical proportion that is tax free; or
- ***Flexible income*** (also known as adjustable income, drawdown or 'flexi-access' drawdown), withdrawing from your savings as and when you like. Again, there is an allowance for taking 25% of your *DC Account* as *cash*, which is the typical proportion that is tax free.

Consolidation phase
As you approach your *Target Pension Date*, your *DC Account* and future contributions are gradually switched from your chosen growth fund to consolidation funds, with characteristics that are more appropriate for the type of benefit being targeted.

The consolidation funds used and the exact date that your fund begins the switching period depends on your *LifePlan* option. You can find out more information about the switching period for the different *LifePlan* options in the appendix.

Please note that if you want a *flexible income*, you need to transfer your *DC Account* out of the *Scheme* into a flexi-access drawdown arrangement. If you want a *guaranteed income (annuity)*, this will be secured outside the *Scheme* with a *guaranteed income (annuity)* provider.

You can use your *DC Account* at retirement differently, even if you have targeted a specific benefit through a *LifePlan* fund.

3. Target Pension Date

The date you want to take your benefits, between age 55 and 75.

How it works

You can choose a *Target Pension Date* between the ages of 55 and 75.

This determines the date that your *DC Account* begins switching from the growth phase to the consolidation phase and starts switching your investments to reach the mix of investments required at retirement.

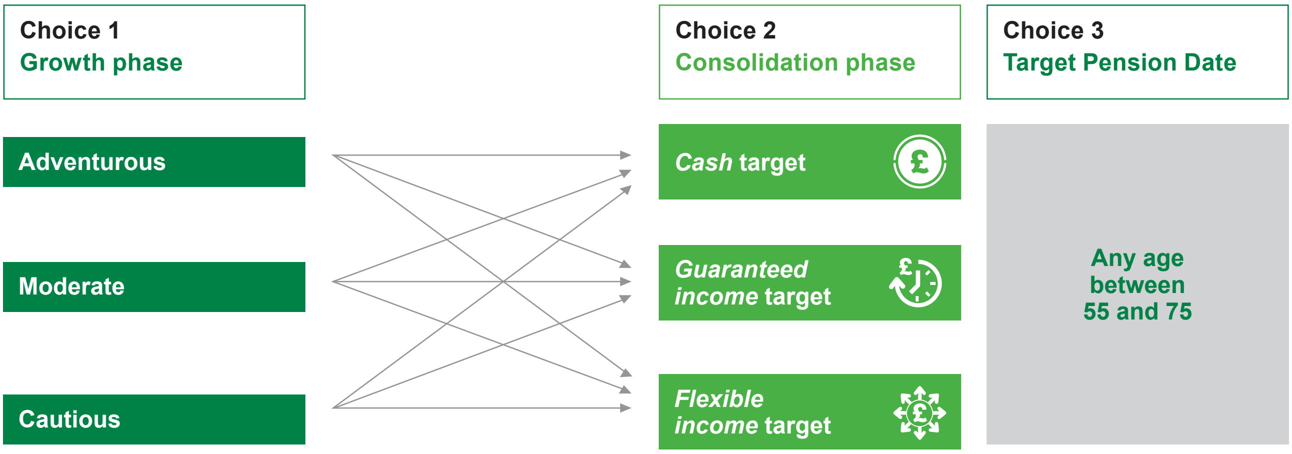
It's important that you review your *Target Pension Date* on a regular basis, especially as you get closer to it, and you can change it anytime on the Pension Portal.

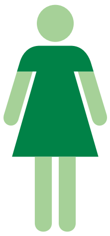
Remember that the earlier you retire, the lower your benefits will be. This is because fewer contributions will have been paid into your *DC Account* and it will have had less time to grow. Your *DC Account* may also need to last for longer.

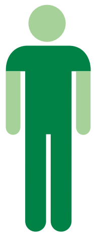
The Retirement Modeller on the Pension Portal can help you estimate what your *DC Account* could be worth at your *Target Pension Date*.

Choosing your route

LifePlan fund options







Sarah

Sarah is aiming for a regular *guaranteed income (annuity)* and would also like to take 25% of her *DC Account* as tax-free *cash*.

Sarah has a low risk tolerance, so she has chosen to invest in the Moderate *Guaranteed income (annuity)* LifePlan.

Age:	**48**
Target Pension Date:	**65**
Risk tolerance:	**Medium/Low**
Phase:	**Growth**
Targeted benefit:	**Purchase a *guaranteed income (annuity)* and take the maximum tax-free *cash* lump sum (25%)**
Investment choice:	**Moderate *Guaranteed income (annuity) LifePlan***

William

William has a defined benefit pension to rely on at retirement and only a small additional *DC Account*, so he wants to take his *DC Account* as *cash*.

With this in mind, William has chosen the Moderate *Cash LifePlan* fund.

Age:	**57**
Target Pension Date:	**62**
Risk tolerance:	**Medium**
Phase:	**Consolidation**
Targeted benefit:	***Cash* lump sum**
Investment choice:	**Moderate *Cash LifePlan***

Choosing your route

What else do I need to know?

What happens if I don't make a choice?
We would recommend that you make an active choice about where your *DC Account* is invested. If you don't make a choice, your *DC Account* will be invested in the *default fund*, which is the Moderate Flexible Income LifePlan with a *Target Pension Date* of 65. The *default fund* is subject to change.

What if I don't know how I want to use my *DC Account* at retirement?
You could choose to invest in a *FreePlan* fund that links to your general risk attitude.

You can update your investment choice at any time on the Pension Portal, so remember to review your investments regularly and update your investment choice if you wish. When you decide how you want to use your *DC Account* at retirement, you could also consider whether you want to use one of the *LifePlan* options to help you manage risk in the last few years before you retire. We recommend that you try and make a choice about your targeted benefit at least five years before you plan to take your benefits.

How do I select where to invest my *DC Account*?
When you first join the *Scheme*, you should complete an **Investment Form** with your initial investment choice. After that, you can make different investment choices via the Pension Portal.

Can I change where my *DC Account* is invested?
Yes, whether you invest in a *LifePlan* option or in *FreePlan*, your choices are not permanent and you can change how your *DC Account* is invested at any time. For example, you could move out of a *LifePlan* option, change your *Target Pension Date* within a *LifePlan* option, or invest in different funds within *FreePlan*.

How do I change where my *DC Account* is invested?
Make changes to your investments on the Pension Portal at https://www.buckhrsolutions/basf.co.uk

Using the Pension Portal, you can also choose different *FreePlan* investment options for future contributions and your existing *DC Account* balance, if you wish. There is also some flexibility to invest different types of contributions in different ways. For example, you could invest your regular contributions in a *LifePlan* option and any additional voluntary contributions in a different *LifePlan* option or in *FreePlan*. The Pension Portal will give you all the options available, giving you lots of flexibility.

How do I monitor my DC Account?

The Pension Portal
The Administrator provides a secure online service called the Pension Portal.

With the Pension Portal you can review your *DC Account* whenever you want and see how the Scheme's investment funds have performed by looking at the 'Unit prices'. Further details can be found on the Pension Portal Factsheet available on the pension website.

There is also a Retirement Modeller on the Pension Portal to help you see how different choices could impact how much money you have in your *DC Account* at retirement.

Log on to the Pension Portal at:
https://www.buckhrsolutions/basf.co.uk

Annual benefit statement
Each year, you will receive a benefit statement showing the value of your DC Account, where your *DC Account* is invested and an estimate of what your *DC Account* might provide at age 65 or your *Target Pension Date.*

Choosing your route

Are there any investment charges?
There are annual charges for each investment fund for which the *Trustee* has negotiated competitive rates. The investment charge varies by fund. Please see the *fund factsheets* or the **DC Investment Fund Charges factsheet** for further information, available on the website.

How do I get more information?
Further information about the *Scheme's* investment options can be found on the pension website at **http://ukpensions.basf.co.uk**. This includes individual *fund factsheets*, updated each quarter. The *fund factsheets* provide detailed information, including the investment managers used, the most up-to-date breakdown of how each fund is invested, the investment performance, and the charges.

Where can I get advice?
By law, no company within the BASF Group, nor the *Trustee*, the *Administrator*, nor its employees, can give you specific investment advice. You should not take any information or explanation that they give you as such.

If you would like financial advice, you should speak to an Independent Financial Adviser (IFA).

You should bear in mind that an IFA may charge for any advice given. You can obtain details of a local IFA at **www.moneyadviceservice.org.uk** which is a free, independent service set up by the Government to provide unbiased money advice. Just type 'choosing a financial adviser' in the search box on the homepage.

Alternatively, you can call them on **0300 500 5000**.

How is the Scheme governed?
The *Scheme* is an occupational pension scheme established under a trust. The *Scheme's* investments are held separately from those of BASF and are the responsibility of the *Trustee*.

The *Scheme* is run in accordance with its Trust Deed and Rules and if any inconsistencies arise between this guide and the Trust Deed and Rules, then the Trust Deed and Rules will override. The *Trustee* is responsible for the range of investment options available and regularly reviews the options and the performance of the funds. The *Trustee* may, from time to time, make changes to the funds or the options available.

Phrasebook

Active management
By actively deciding which assets to buy and sell, the fund manager aims to achieve *investment returns* above a particular market index or benchmark.

There is a risk that *investment returns* could be lower than the benchmark, as these depend partly on the skill of the manager.

Administrator
Buck, the company that the *Trustee* has appointed to keep records and ensure all member data is complete and accurate under the *Scheme*.

Bonds
Loans taken out by companies or governments. The company or the government receive a loan and issue a contract (the bond) that promises to pay back the loan on a set date. Interest is paid until the loan is repaid.

Capital
A sum of money you invest.

Cash
Deposit accounts and cash-related investments usually with a bank or building society.

Currency hedging
An approach that aims to protect against changes in currency exchange rates. This helps to reduce risk when investing in overseas funds.

DC Account
The value of your DC pension savings in the Scheme. This includes the amount built up from the contributions paid by your employer, including those under pension salary sacrifice, together with any contributions outside pension salary sacrifice and any transfers in.

Default fund
If you do not decide where to invest your *DC Account*, you will be invested in the default fund. The current default fund is the Moderate *Flexible Income LifePlan* with a *Target Pension Date* of 65. The default fund is subject to change.

Diversified Growth Funds
Funds that invest in a variety of assets.

Dividends
Payments that are received by shareholders when the company they invest in makes a profit.

Buck
A secure online system that enables you to view and manage your *DC Account*:
https://www.buckhrsolutions/basf.co.uk

Further details can be found on the the Pension Portal factsheet available on the pension website.

Equities
These are shares in companies and are a type of investment used in the *Scheme*.

Flexible income
This is an alternative type of pension that allows you to keep your pension savings invested and then take a variable amount of money out of those savings as income each year. Flexible income is not guaranteed for life and because your savings remain invested, they can go down as well as up. Flexible income is subject to certain limits and criteria. You should take independent financial advice and will need to transfer your *DC Account* out of the *Scheme* into a flexi-access drawdown agreement.

FreePlan
Under FreePlan, you select your own investment funds. Your funds will not automatically switch from a growth phase into a consolidation phase as you approach your *Target Pension Date*.

Fund factsheets
Informative documents that are updated each quarter. They provide detailed information, including the investment managers used, the most up-to-date breakdown of how each fund is invested, the investment performance, and the charges. These are available on the pension website at **http://ukpensions.basf.co.uk**.

Gilts
A type of bond (which is a loan agreement), issued by the UK Government when they receive a loan from investors.

Guaranteed income (annuity)
A type of pension which provides a guaranteed income either for an agreed period of time, or the rest of your life, bought at retirement with the value of your *DC Account*.

Phrasebook

Inflation
The increase in the general price of goods and services over time.

Investment returns
The gain (or loss) achieved by an investment. It represents the increase or decrease in the value of the investment plus the income received from investing in it.

LifePlan
The LifePlan options are ready-built investment routes that aim to reduce some types of risk automatically as you get nearer to your *Target Pension Date*. As you approach your *Target Pension Date*, your *DC Account* and future contributions are gradually switched from your chosen growth fund to consolidation funds, with characteristics that are more appropriate for the type of benefit being targeted.

Scheme
The BASF UK Group Pension Scheme.

Target Pension Date
If your *DC Account* is invested in a *LifePlan* option, this is the date you plan to take your benefits. This can be any date between age 55 and age 75 and it determines when the consolidation phase starts in *LifePlan*.

Trustee
BASF Pensions Trustee Limited, the company that has ultimate responsibility for running the *Scheme*.

Appendix

Test your risk tolerance

Think about it – many of the everyday things we do in life involve some element of risk, whether it's thrill seeking exploits such as skiing or bungee jumping, or more common things like crossing the road or driving. Some of us are prepared to take much more risk than others, but do you know how open to risk you are?

Investment is no different – decide how much risk you're prepared to take with your money.

To find out what your risk tolerance might be, we've put together a short quiz that will take you just a few minutes to complete and could help you to decide how risky you're prepared to be with your money. Have a go – you might be surprised by your results!

Which types of investment are you most comfortable with?
(See page 4 for explanations of investment types)

a. *Cash* deposit accounts
b. *Corporate bonds* and government *gilts*
c. *Equities* (stocks and shares)

After you make an investment, do you feel:

a. Sick with worry?
b. Satisfied?
c. Excited?

Assume you invest £10,000. Each answer shows the possible value of your investment after just one year. Which would you be most comfortable with?

a. £9,000 – £11,000
b. £7,000 – £13,000
c. £4,000 – £18,000

For the last five years, your investment has given you an average return of 10% a year – in line with similar investments. However, over the next year it loses 20%. What do you do?

a. Sell the whole investment
b. Sell part of the investment but hold onto some
c. Buy more of the same investment

Which phrase best describes your outlook on life?

a. I proceed with caution and don't take unnecessary risks
b. I take small, reasonable risks to pursue my dreams
c. No holds barred – I go for it!

Score

Mostly a: You have a low risk tolerance and are considered a conservative investor. You are uncomfortable taking large risks with your investments and would rather protect them from large falls in value. You are likely to be investing for the shorter term (often, people feel more willing to take risks with a longer term horizon, because there is still time for the ups and downs to be smoothed out).

Mostly b: You have an average risk tolerance and are considered a moderate investor. You prefer to avoid risk but can accept a moderate amount. Moderate investors tend to invest for the medium to long term.

Mostly c: You have a high risk tolerance and are considered an aggressive investor. You are comfortable taking risks with your investments in the hope of gaining good future returns and are not concerned about short term losses. Adventurous investors tend to be younger and investing for the long term.

This quiz is intended to give you an indication of your risk tolerance, and is not intended as financial advice. When deciding where to invest your *DC Account,* you should consider other factors than your risk tolerance, such as your age, *Target Pension Date*, and your targeted benefits, to ensure that your investments are right for you.

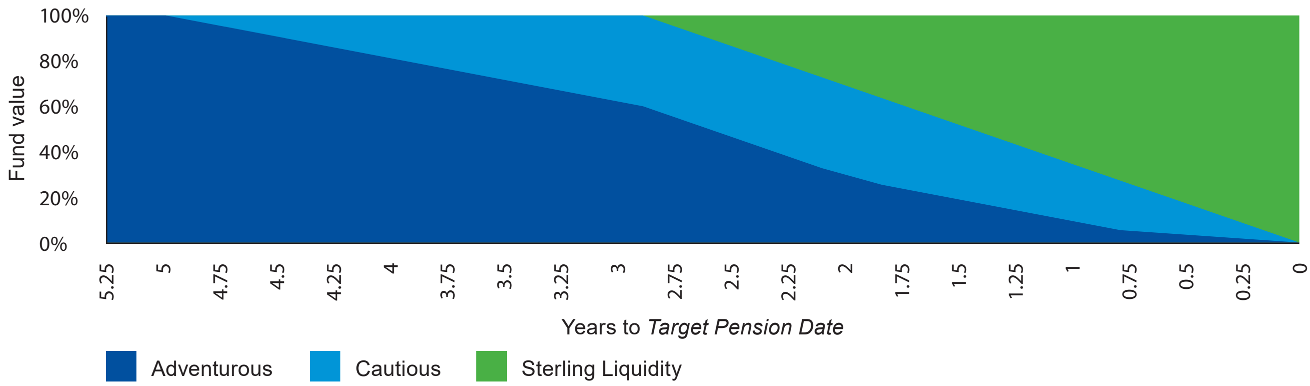
For help in understanding any decisions you make, you should seek advice. For help finding an Independent Financial Adviser, visit the Money Advice website at **www.moneyadviceservice.org.uk**.

Appendix

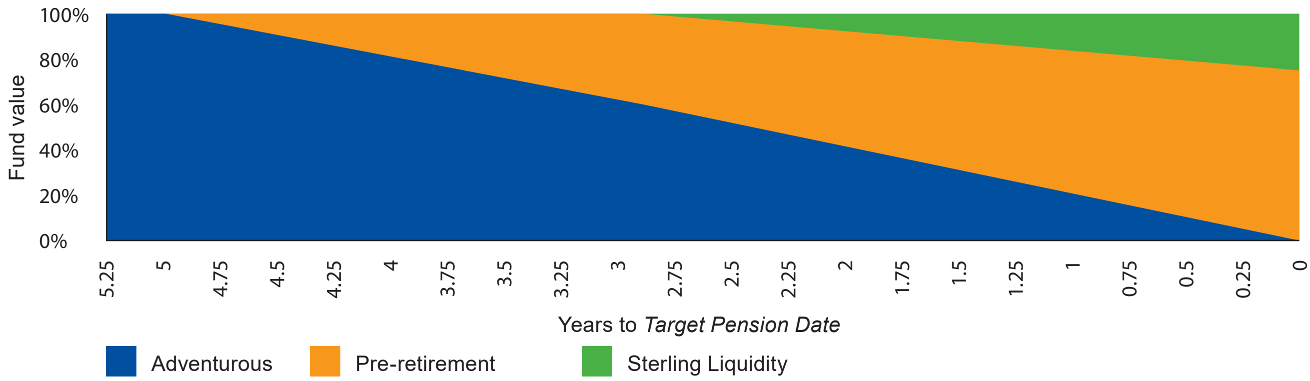
LifePlan switching periods

Growth phase fund	Targeted benefit	Begin switching to lower risk funds	Lower risk funds	Investment aim
Adventurous	*Cash*	5 years	Cautious and Sterling Liquidity	During the growth phase, these funds aim to achieve high levels of capital growth over the long term, but with high levels of risk. They invest predominately in equities, but have the potential to hold other growth assets. They are likely to deliver high levels of variability of returns, particularly in the short term. During the consolidation phase, these funds move investments to lower risk funds in line with the targeted benefit.
	Guaranteed income (annuity)	5 years	Pre-retirement Annuity and Sterling Liquidity	
	Flexible income	5 years	Cautious and Sterling Liquidity	

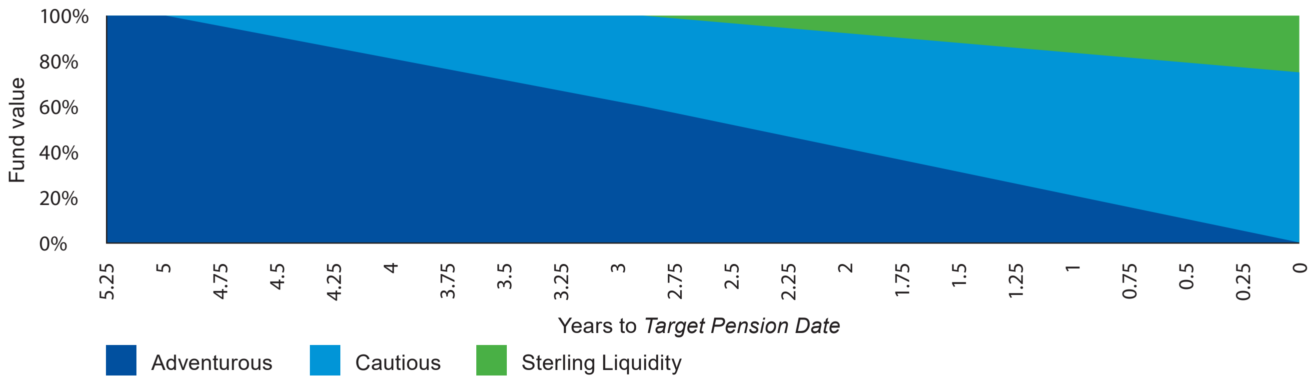
Adventurous *Cash*



Adventurous *Guaranteed income (annuity)*



Adventurous *Flexible income*

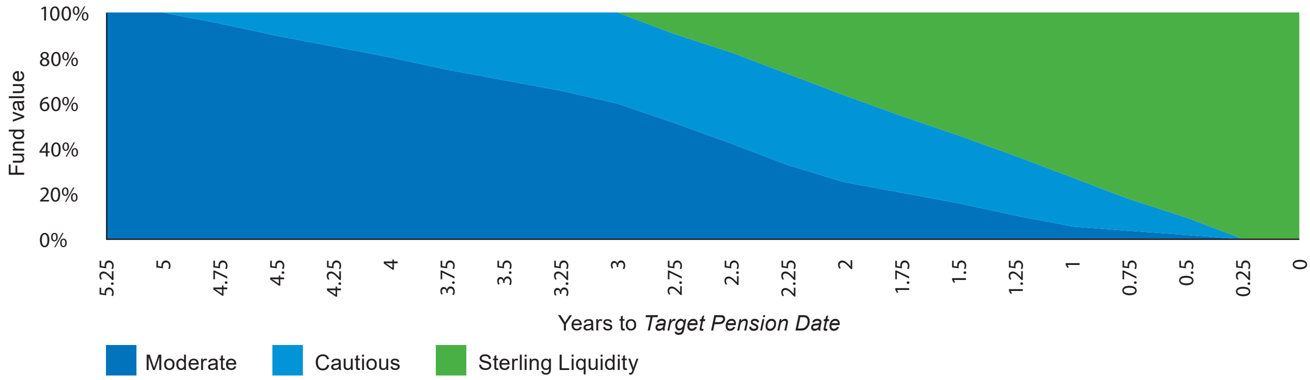


Appendix

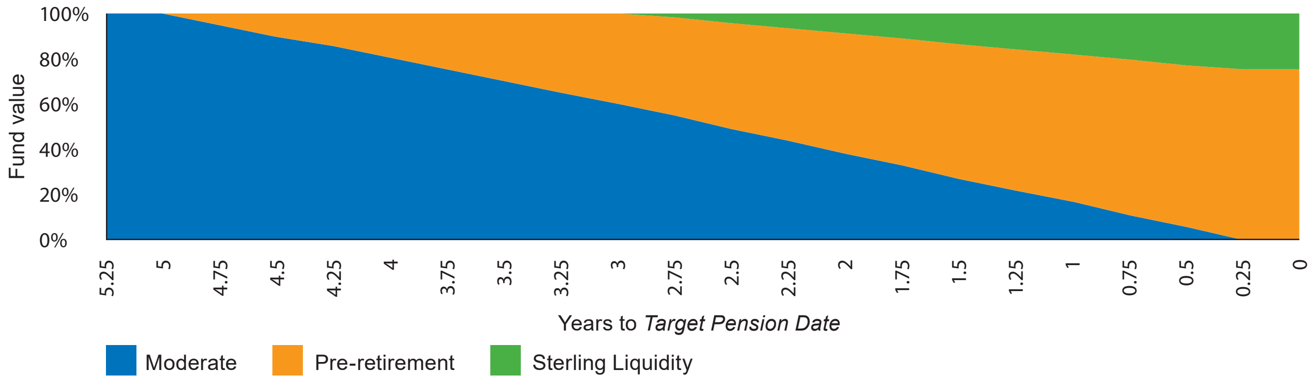
LifePlan switching periods

Growth phase fund	Targeted benefit	Begin switching to lower risk funds	Lower risk funds	Investment aim
Moderate	*Cash*	5 years	Cautious and Sterling Liquidity	During the growth phase, these funds aim to achieve medium to high capital growth over the long term with medium to high risk. These funds invest in a diverse range of growth assets, including equities, as well as some potential allocation to bonds. During the consolidation phase, these funds move investments to lower risk funds in line with the targeted benefit.
	Guaranteed income (annuity)	5 years	Pre-retirement Annuity and Sterling Liquidity	
	Flexible income	5 years	Cautious and Sterling Liquidity	

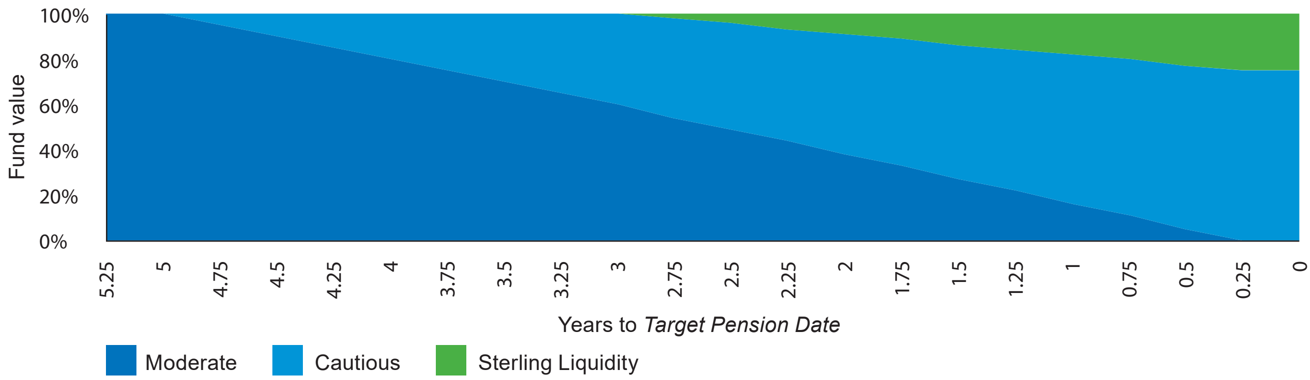
Moderate *Cash*



Moderate *Guaranteed income (annuity)*



Moderate *Flexible income*

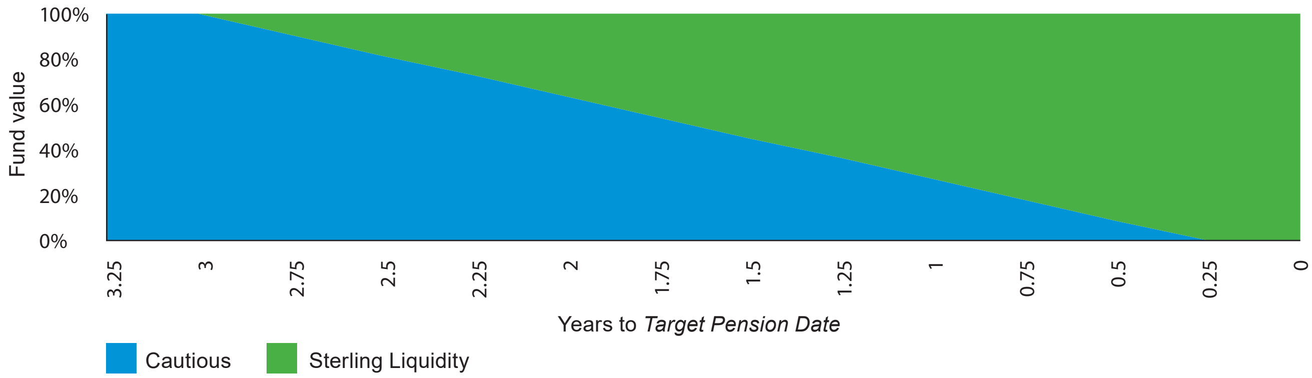


Appendix

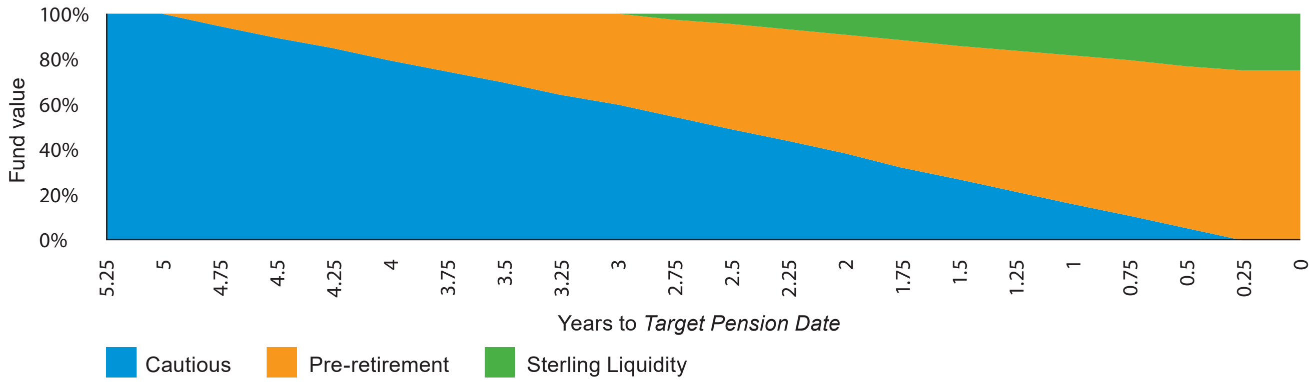
LifePlan switching periods

Growth phase fund	Targeted benefit	Begin switching to lower risk funds	Lower risk funds	Investment aim
Cautious	*Cash*	3 years	Sterling Liquidity	During the growth phase, these funds aim to achieve low to medium capital growth over the long term with a medium level of risk. These funds invest in a diverse range of assets, including allocations to equities and bonds. During the consolidation phase, these funds may move investments to lower risk funds in line with the targeted benefit.
	Guaranteed income (annuity)	5 years	Pre-retirement Annuity and Sterling Liquidity	
	Flexible income	3 years	Cautious and Sterling Liquidity	

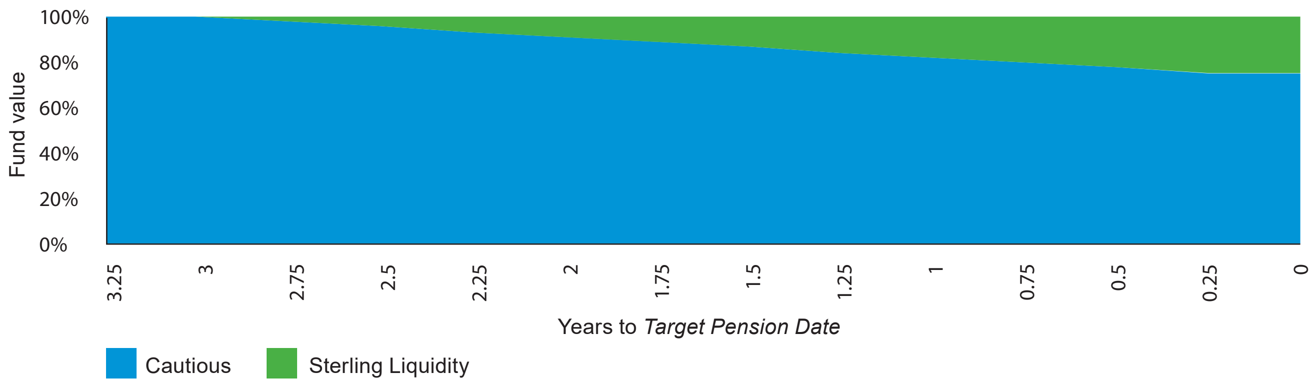
Cautious *Cash*



Cautious *Guaranteed income (annuity)*



Cautious *Flexible income*



Notes

Notes

Contact us

If you want to discuss your own benefits, or if you have any questions about the Scheme or this guide, please contact the Administrator:

Tel: 44 (0)330 123 0647
Email: BASF@buck.com

BASF Buck (Bristol), PO Box 319, Mitcheldean, GL14 9BF