1. Background

This Investment Statement sets out the principles governing decisions about investments for the BASF UK Group Pension Scheme (the Scheme) to meet the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- Subsequent legislation.

Before preparing it, the Trustee has consulted all participating employers and obtained and considered written professional advice from Mercer, our Defined Contribution investment consultants.

The Scheme is a hybrid scheme consisting of separate defined benefit and defined contribution benefits. On 8 January 2013, the amalgamation of the Ciba UK Pension Scheme and the BASF UK Group Pension Scheme was completed. On merging, the Scheme was altered to create two sections which are known as the BASF UK Group Section (the "Group Section"), which represents the original BASF UK Group Pension Scheme and the BASF Performance Products Section (the "BPP Section"), which represents the former Ciba UK Pension Scheme.

This Statement sets out the principles that govern our decisions about the investment of defined contributions for both the Group and the BPP Section. The principles regarding the defined benefits of the Scheme are set out in a separate document. We will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.

We will, at the minimum, review this statement every year to ensure that it remains accurate. The statement will be amended more frequently should any changes be made to the Scheme's investment arrangements. We are committed to maintaining the accuracy of this statement on an ongoing basis.

The Trustee's investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. We note that, according to the law, we have ultimate power and responsibility for the Scheme's investment arrangements.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. 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).

2. Investment Objectives and Risk

The objectives set out here, and the risks and other factors referenced in this Statement, are those that the Trustee determines to be financially material considerations in relation to the Scheme.

We believe that members have differing investment needs and that these may change during the course of members' working lifetimes. We also recognise that members have different attitudes to risk and we believe that ideally members should make their own investment decisions based on their individual circumstances. We regard our duty as making available a range of investment funds that enable members to tailor a strategy to their own needs.

For members who do not wish to make their own investment choices, we make available a default option that is described in 2.3. However, we recognise that this option cannot meet every individual member's needs.

2.1 Investment Objectives

Our main aim is to make sure that we can meet our obligations to the members of the Scheme. This is achieved by the following:

a. Offering members 'Lifestyle' approaches to investment strategy (known as "LifePlan" which is also adopted as part of the default strategy) and ensuring that the other investment strategy options also allow members to plan for retirement.

b. Making available a focused range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Scheme members (known as "FreePlan").

c. Providing general information as to the purpose of each investment option.

d. Encouraging members to seek impartial financial advice from an appropriate person in determining the most suitable option where required.

We will regularly review the suitability of the options provided and from time to time will change manager or introduce additional investment portfolios as appropriate.

We are satisfied that the spread of assets by type, and the investment manager's policies on investing in individual securities within each type, provide adequate diversification of investments.

2.2 Risk

The Trustee considers a range of potentially financially material factors to which the Scheme is exposed over the anticipated time horizon for which the assets will be held when designing the range of funds to offer to members. These factors are outlined in this Statement.

The Trustee believes that the appropriate time horizon within which to assess risk should be viewed at the member level. This will be dependent on the member's age and when they expect to take their benefits from the Scheme. In considering the range of funds to offer to members, the Trustee acknowledges that the investment time horizon of each individual member is different and will be dependent on their current age and when they expect to take their benefits.

In designing the lifestyle strategies, the Trustee has taken the proximity to the target retirement date into account, and the associated financially material risks over the time horizon of these strategies.

The Trustee recognises the following additional risks and take the following steps to manage risk:

a. The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure adequate retirement benefits.

The Trustee makes available a number of funds that are expected to match or beat price inflation over the long-term;

b. The risk that volatility associated with growth assets discourages members from further savings into the Scheme. The Trustee acknowledges that seeking to generate returns requires accepting some risk. The Trustee makes available funds with differing degrees of volatility so that members can tailor their investments to their desired level of risk;

c. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits. The Trustee makes available a number of lifestyle investment strategies, which aim to provide automated de-risking strategies designed for different types of potential retirement benefits;

d. The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee. In this regard, the Trustee's general approach is to use active management in the areas where the Trustee, having taken professional advice, believes it can add most value and to use index tracking management in the remaining areas. The Trustee recognises that the use of active management brings the risk that those active decisions do not add value. The Trustee receives regular performance reports and retain their investment consultant to aid in monitoring the performance of the selected managers;

e. Environmental, Social and Corporate Governance (ESG) risk – the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets. The management of ESG related risks is delegated to investment managers, with oversight from the Trustee. See Section 4 for our policies in this regard.

f. The risk that funds do not provide access for investment or withdrawal of monies when required. The Trustee understands that the funds may, in extreme circumstances, be temporarily closed for investment. To mitigate some of this liquidity risk, the Trustee has selected daily dealt and daily priced pooled funds.

g. The risk that returns fluctuate with changes in exchange rates. Currency hedging is used within certain overseas developed market equity funds, as detailed later in this Statement, to mitigate this risk.

h. We pay close regard to the risks which may arise from the lack of diversification of investments. The Trustee believes that the choice of funds in place provides an adequately diversified distribution of assets and also seeks to maximise diversification levels within the default option, where possible.

i. The risk that the investment profile of the default option is unsuitable for the requirements of some members. The Trustee recognises that the default investment option can never be perfect for all members. Details of how the default is designed and how this risk is managed are provided in section 2.3 of this Statement.

We believe that the investment funds outlined in this Statement are appropriate for meeting the risks outlined above.

2.3 The Default Option – Moderate Flexible Income LifePlan

For new members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** ("Moderate Flexible Income LifePlan") which includes lifestyling arrangements to de-risk investments to an asset allocation designed to be appropriate for a member who intends to draw their benefits from the Scheme in a flexible way, typically withdrawing from their savings over time through a “drawdown” approach. Currently, members need to transfer out of the Scheme to access a full flexi-access drawdown strategy.

The aims of the current default option for new members, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy whilst managing downside risk.

  The default strategy’s growth phase structure invests in equities and other growth-seeking assets through diversified growth funds, managed using a combination of active and passive investment approaches. These investments are expected to provide growth with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over a 5 year period into a pooled multi-asset “Cautious” fund which offers diversifiction across a range of growth and defensive assets (this fund is managed using a combination of active and passive investment styles), and a pooled cash fund which is actively managed.

- To offer to members a mix of assets at retirement that are broadly appropriate for an individual planning to draw their benefits flexibly over time, with an allowance for taking the maximum allowable tax free cash (currently 25%).

  Following the lifestyle switches referred to above, three months prior to the member’s selected retirement date, 75% of the member’s assets will have been switched to the pooled Cautious fund and 25% to the pooled cash fund.

Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns.

Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

In particular, the Trustee considered detailed membership profiling analysis and retirement experience within the Scheme in order to inform decisions regarding the default option. Based on this understanding of the membership, a default option that targets flexible withdrawal of benefits and a tax-free cash lump sum (up to 25% of a members’ pot) is considered appropriate. Members will be supported by clear communications regarding the aims of the default and the access to alternative approaches. The default investment design does not mean that members have to take their benefits in this format at retirement – it merely determines the investment strategy that will be in place pre-retirement.

The investment managers have responsibility for buying and selling the underlying assets in the default arrangement. All of the pooled funds used operate daily dealing cycles, and assets are invested on regulated markets.

The investment managers consider environmental, social and governance matters in exercising their delegated responsibilities.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believe that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

The following disclosures in other parts of this Statement also apply also to the default option:

- Disclosures in section 2.2 on how risk is measured and managed, including risks around illiquidity and the realisation of investments.
- Disclosures on environmental, social and governance issues in section 4.
- Disclosures in section 3 on Investment Manager Arrangements.
- Disclosures in the Appendix in relation to benchmarks in the context of expected returns.

2.4 Alternatives to the Default Option

To cater for the different risk appetites of members, the Trustee offers the following 3 Risk-Profiled Funds:

- **Adventurous Fund**: 67.5% Overseas Developed Equity (partially currency hedged) 7.5% UK Equity, 25.0% Emerging Markets Equity.
- **Moderate Fund**: 50.0% Diversified Growth Funds, 37.5% Overseas Developed Equity (partially currency hedged) 5.0% UK Equity, 7.5% Emerging Markets Equity (Unhedged).
- **Cautious Fund**: 32.5% Diversified Growth Funds, 25% Overseas Developed Equity (partially currency hedged), 2.5% UK Equity, 5.0% Emerging Markets Equity (Unhedged), 35% Bonds (Index Linked Gilts and Corporate Bonds)

The Diversified Growth Fund allocations outlined above relate to funds which invest in a wide range of different types of assets (e.g. equities, property, infrastructure, bonds and cash). The amount invested in the different assets within a Diversified Growth Fund tends to vary over time depending on the investment manager and their views at any point in time.

The underlying components of the Risk-Profiled Funds are subject to periodic review by the Trustee. The review relates to the appropriateness of the asset classes held within the funds, and also the managers selected to manage the funds on behalf of the Trustee.

The Risk-Profiled Funds can be accessed under the “LifePlan” and “FreePlan” structures (with or without lifestyling respectively). Further information on the LifePlan structures is outlined in 2.5.

Bearing in mind the level of investment knowledge of a typical pension scheme member and the desire to keep the available fund range simple and understandable (while providing appropriate choice) the Trustee has decided to make the following additional funds available to members under the “FreePlan” structure in order to provide additional flexibility for members who require it:

Asset Class	Manager selected	Fund Name
Bonds	Legal & General	Pre-Retirement
Cash	Legal & General	Sterling Liquidity
Ethical	Legal & General	Ethical Global Equity Index
Shariah	HSBC Global Asset Management	Islamic Global Equity Index

A breakdown of the individual manager funds used (including those adopted within the Risk-Profiled Funds) and their investment objectives are noted within the Appendix.

2.5 Alternative Lifestyling

Under the “LifePlan” option, lifestyling is offered, which is adopted over a 5 year switching period. Members can select a “growth” phase fund from the three risk-profiled funds detailed under 2.4, along with a benefit option to target at retirement, from cash, annuity (“guaranteed income”) or income drawdown (“flexible income”).

As a member approaches their selected target retirement date, and if they are invested in the LifePlan, the member’s assets will gradually be moved into an asset allocation considered to be appropriate for their targeted retirement benefit.

The Moderate Flexible Income LifePlan option is the default arrangement for those members who do not wish to exercise choice and lifestyling is based on a target pension date of age 65 (the Scheme’s Normal Pension Age) where no other choice is made.

The switching matrices which underlie the LifePlan profiles are available in the member investment guide.

3. Investment Manager Arrangements

3.1 Overview

The fund range offered to members of the DC Section is accessed through Mercer Workplace Savings (“MWS”) on the platform provided by Scottish Widows Limited (Scottish Widows). There is a direct (long-term) insurance contract between the Trustee and Scottish Widows. Pooled funds accessed through the platform are managed by a range of underlying investment managers.
Through the MWS service, on an ongoing basis the Scheme accesses:

- Discounts on fund pricing relative to Scottish Widows’ whole of market prices;
- Service levels agreements over and above Scottish Widows’ standard terms with financial penalties for non-compliance;

- A formal commitment by Scottish Widows to maintain market leading status as an investment only platform provider (with MWS providing regular input into the proposition, including ensuring the availablility of highly rated funds);
- Quantitative and qualitative quarterly investment performance reporting;
- Escalation, monitoring and resolution of any servicing shortfalls.

Scottish Widows and MWS are both regulated by the Financial Conduct Authority (the "FCA").

The safe custody of the Scheme's assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

As the Trustee invests in pooled vehicles it accepts that there is no ability to specify the risk profile and return targets of the funds. However, appropriate mandates are selected to align with the investment strategy as documented in this Statement.

The Trustee recognises that it is the platform provider that has the contractual relationship with the investment managers. However, the Trustee takes appropriate legal and investment advice regarding the initial and ongoing suitability of the relevant investment vehicles. Additionally, the Trustee seeks to ensure that the Scheme's investment managers remain accountable to it. To that end, the DC Committee meets periodically with the Scheme's investment managers when this is considered to be useful and will engage in direct discussion with them on performance, risk and value-related matters, including ESG matters.

In selecting investment managers the Trustee takes into account the requirements of each mandate and its investment guidelines. The investment managers are selected based on their capabilities and suitability as regards meeting the Scheme's objectives. These selections are therefore also based on the managers' perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustee receives advice from its investment consultant in relation to forward-looking assessments of an investment manager's ability to outperform over a full market cycle, for mandates where outperformance is the objective. This view will be based on the investment consultant's research assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment portfolio(s) that the Scheme invests in. For passively managed mandates, or those where outperformance is not the primary goal, the Trustee will seek guidance from the investment consultant in relation to their forward looking assessment of the manager's ability to achieve the stated mandate objectives.

3.2 Evaluating Performance

The Scheme offers members both actively and passively managed funds. Performance targets are in place with the investment managers, and results are assessed against these targets. A fund will be reviewed following periods of sustained failure to meet the mandate objectives, and the Trustee has put in place quarterly monitoring to seek to manage this risk. The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) periodically.

Investment managers are aware that their continued selection is based on their success in delivering the objectives of the mandate for which they have been selected to manage. If the Trustee is dissatisfied, then it will look to replace the manager.

In monitoring investment managers, and when selecting new investment managers, the Trustee will aim to have in place managers whom they believe will engage directly with issuers of securities held in order to improve their financial and non-financial performances over the medium to long term. To monitor the third-party investment managers' compliance with this expectation, the Trustee considers ESG research ratings from the investment consultant each quarter. Through these ratings, the Trustee is able to assess for example how each investment manager embeds ESG into its investment process and how each manager's investment philosophy aligns with the Trustee's policies.

The Trustee will meet with its investment managers when this is considered helpful, and will consider manager meetings dedicated to discussion of ESG matters in order to focus governance time appropriately.

3.3 Time horizon and Duration of Appointments

The Trustee receives performance reports on a quarterly basis, which present performance information (where available) over 3 months, 1 year, 3 years and since inception. 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 funds used within the Scheme are open-ended with no set end date for the arrangement, and the Trustee is a long-term investor. Accordingly, it does not seek to change the investment arrangements on a frequent basis. The focus is therefore on long term performance but the Trustee may review an investment manager's fund and consider terminating a mandate if:

- There are sustained periods of underperformance or failure to meet the mandate objectives;
- There is deviation from the agreed mandate terms, or a breach of mandate investment guidelines;
- There are changes to the investment process, personnel or business management of the investment manager that could lead to a loss of confidence in its ability to achieve the objectives set over the appropriate time horizon;
- There is a change in the underlying objectives of the fund;
- There is a significant change to the investment consultant's rating of the fund;
- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or fund.
- The Trustee decides there is a more suitable product in the market following a review of a manager's selection. This may be as a result of, but is not limited to, a more desirable risk/return profile, the opportunity set, potential developments in the investment industry and the fees being offered.

If an Investment Manager's fund is not meeting the performance objectives, over a sustained period of time, and after consideration of all relevant factors, the Trustee may take the decision to terminate the Investment Manager in respect of the use of that fund.

3.4 Investment Manager Remuneration

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management. In each case, the principal incentive is for the investment Mmanager to retain their appointment (in full), by achieving their objectives, in order to continue to receive their fee.

As part of the annual Value for Members assessment, the Trustee reviews all costs and charges borne by members of the Scheme.

Investment managers are not remunerated based on portfolio turnover.

3.5 Portfolio Turnover Costs

The Trustee considers portfolio turnover costs as part of the transaction cost charges disclosures provided for the annual Value For Members' assessment and the Chair's Statement.

The Trustee has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of such activities.

4. Environmental, Social and Governance (ESG) Considerations

The Trustee believes that ESG issues may have an impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee accordingly considers these issues in the context of anticipated time horizon over which the assets will be held.

The Trustee does not directly manage the Scheme's investments, and the investment managers have full discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. ESG considerations are however taken into account in the selection, retention and realisation of investments in the following ways:

- The Trustee considers the ESG research ratings published by our investment consultants, Mercer, when monitoring the Scheme's investments. These ratings are also considered as part of any new selection of investment funds.
- In meetings with the Scheme's investment managers, where relevant, ESG issues are discussed and the manager is expected to discuss voting and engagement activities carried out on behalf of the Trustee for mandates where this is appropriate.
- The investment managers are expected to evaluate ESG factors (including climate change considerations) where practical within the terms of their mandate and to exercise voting rights and stewardship obligations attached to the investments in accordance with their own corporate governance policies and current best practice (including the UK Corporate Governance Code and UK Stewardship Code).

Members' views, when expressed, will be considered in relation to financial and non-financial matters. For example, member surveys have been carried out regarding investment choices, and members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically.

In the context of non-financial considerations, an Ethical Fund option is available for members to invest in and a summary of this fund is summarised in the Appendix. This fund is passively managed against an index which explicitly incorporates ethical considerations in the selection of its constituents. A Shariah-compliant option is also available for investors who wish to adhere to principles established by the Shariah (Islamic law as revealed in the Qur'an).

5. **Realisation of Investments**

The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used are daily dealt. As already mentioned, the day to day activities which the investment manager carries out for us are governed by the arrangements between them and Scottish Widows', which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

6. **Compliance With This Statement**

We the Trustee, Scottish Widows, and Mercer each have duties to perform to ensure compliance with this Statement. These are:

The Trustee will review this Statement every Scheme year on the advice of Mercer and will record compliance with it at the relevant Trustee meeting.

Scottish Widows will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Scheme from time to time as required by the Trustee.

Mercer will provide the advice needed to allow us to review and update this Statement annually (or more frequently if required).

Signed for and on behalf of BASF Pensions Trustee Limited

Signature ____________________

Name ____________________

Date ____________________

Signature ____________________

Name ____________________

Date ____________________

Appendix – Summary of underlying investment funds

The table below summarises the underlying pooled investment funds used within the Defined Contribution Section and the extent to which they form part of the funds offered to members. (Y = indicates inclusion, N = indicates no inclusion)

Manager	Fund	Active/ Passive	Investment Objective	Used within LifePlan strategy and/or Free Plan blended Funds?	Available as stand alone?
L&G	UK Equity	Passive	Track the performance of the FTSE All-Share Index to within +/-0.25% for two years out of three	Y	N
L&G	World (ex UK) Developed Equity Index (Currency Hedged)	Passive	Track the performance of the FTSE AW-Developed World (ex-UK) Index (less withholding tax if applicable) - GBP Hedged to within +/- 0.5% p.a. for two years out of three.	Y	N
BlackRock	Global Developed Fundamental Weighted Index	Passive	To achieve returns in line with the FTSE RAFI Developed 1000 Index	Y	N
BlackRock	Global Minimum Volatility Index	Passive	To achieve returns in line with the MSCI World Minimum Volatility Index	Y	N
Wells Capital	Emerging Market Equity	Active	No specific outperformance target above the MSCI Emerging Markets Index. Over the long-term, we would expect the Fund to deliver returns in excess of the index of about 3.0% p.a., gross of fees.	Y	N
Baillie Gifford	Diversified Growth	Active	The primary objective of the DGF is to outperform the UK base rate by at least 3.5% p.a. (net of fees) over a five year rolling period with an annual volatility of less than 10%.	Y	N
L&G	Diversified	Mixed	L&G's stated objective is to provide long-term investment growth through exposure to a diversified range of asset classes. The Fund is expected to have a level of risk which is equivalent to two thirds of the volatility of a global equity portfolio over the long term.	Y	N

Manager	Fund	Active/ Passive	Investment Objective	Used within LifePlan strategy and/or Free Plan blended Funds?	Available as stand alone?
Aberdeen Standard	Global Absolute Return Strategies	Active	The performance target of GARS is to outperform the cash benchmark (UK 6-month LIBOR) by 5% p.a. gross of fees on a rolling three-year basis.	Y	N
L&G	Corporate Bonds	Passive	Track the performance of the iBoxx £ Non-Gilts (ex-BBB) Index to within +/-0.5% p.a. for two years out of three.	Y	N
L&G	Up to 5 Year Index Linked Gilts	Passive	Track the performance of the FTSE A Index- Linked (Over 5 Year) Index to within +/-0.25% p.a. for two years out of three.	Y	N
L&G	Pre-Retirement	Blend	The Fund aims to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.	Y	Y
L&G	Cash	Passive	The objective is to provide capital stability, liquidity and diversification while providing a competitive level of return.	Y	Y
L&G	Ethical	Passive	Track the performance of the FTSE4Good Global Equity Index to within +/-0.5% p.a. for two years out of three.	N	Y
HSBC	Islamic	Passive	Track the performance of the Dow Jones Islamic Titans 100 Index.	N	Y